MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

$139,525,000 1978 Series 11 Bonds
$60,375,000 1978 Series 12 Bonds
$201,100,000 1978 Series 13 Bonds

TABLE OF CONTENTS

I. BASIC DOCUMENTS AND CERTIFICATES OF THE CORPORATION:

1.1. (a) Copies of the preliminary Official Statements
dated November 10, 1978 of the Municipal Assistance
Corporation (the "Corporation") relating to the
1978 Series 11, 12, and 13 Bonds (collectively the
"Bonds").

(b) Copy of the final Official Statement dated
November 17, 1978 of the Corporation relating to the
Bonds (the "Official Statement").

1.2. The Bond Purchase Agreement dated as of November 15,
1978 (the "Bond Purchase Agreement"), executed by
and among the Corporation and the Financial
Institutions and New York City (the "City")
Pension Funds named therein (collectively, the
"Purchasers").

1.3. Copy of the Second General Bond Resolution of the
Corporation adopted November 25, 1975, as amended
(the "Resolution").

1.4. Copies of the 1978 Series 11, 12 and 13 Series
Resolutions (collectively, the "Series Resolutions"),
and the resolution adopted on November 16, 1978,
supplementing the Series Resolutions.

1.5. Written order of the Corporation as to the authen-
tication and delivery of the Bonds to the Purchasers,
pursuant to Section 202.2(2) of the Resolution.

1.6. Extracts of the Minutes of the Board of Directors
Meeting held on November 14, 1978, showing among
other things: (a) authorization to execute the
Bond Purchase Agreement; (b) approval of the final
Official Statement relating to the Bonds and (c)
adoption of the Series Resolutions; and of the
Board of Directors Meeting held on November 16,
1978, showing approval of the interest rates and purchase price for the Bonds.

1.7. (a) Certificate of the Secretary of the Corporation as to members, officers, terms of office and other details of the Corporation, including attached by-laws, minutes, certain resolutions, specimen bonds, litigation, signatures and certificates required pursuant to Section 202.2(4) (no default) and 202.3(3)(4) (debt coverage) of the Resolution and Section 401(1) (debt service) and Section 401(2) (debt coverage) of the Series Resolutions.

(b) Certificate of the Executive Director of the Corporation pursuant to Section 3.10(a) of the Bond Purchase Agreement.

1.8. Certificate of the Commissioner of Taxation and Finance of the State of New York (the "State") pursuant to Section 202.3(1) of the Resolution.

1.9. Certificate of the Director of the Budget of the State pursuant to Section 202.3(2) of the Resolution.

1.10. The approval of the terms of the sale of the Comptroller of the State dated November 15, 1978.

1.11. Certificates of the Executive Director of the Financial Control Board with respect to the financial plan of the City pursuant to Sections 3.3(b) and 3.10(b) of the Bond Purchase Agreement and of the Deputy Mayor for Finance and First Deputy Comptroller of the City as to the borrowing schedule delivered pursuant to Section 3.3(a) of the Bond Purchase Agreement.

1.12. Certificate of the Comptroller of the State with respect to no default pursuant to Section 3.10(c) of the Bond Purchase Agreement.

1.13. Arbitrage certificate of the Corporation pursuant to Section 3.13(a) of the Bond Purchase Agreement.


1.15. Certificate of the First Deputy Comptroller of the City as to the Official Statement.
1.16. Certificate of the Executive Director of the Financial Control Board as to the Official Statement.

1.17. Certificate of the Special Deputy State Comptroller of the City as to the Official Statement.

1.18. Certificate of the Commissioner of Taxation and Finance of the State as to the Official Statement.

1.19. Certificate of the Director of the Budget of the State as to the Official Statement.


II. CITY DOCUMENTS:

2.1. The Adherence Agreement dated as of November 15, 1978, executed by the City.

2.2. The Agreement to Guarantee dated as of November 15, 1978, executed by and among the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary"), the State, the City, the Financial Control Board and the Corporation.

2.3. The Guaranteed Bond Purchase Agreement dated as of November 15, 1978, executed by and among the City, the United States, acting by and through the Secretary, and the City and State Pension Funds named therein.

2.4. The Loan Agreement dated as of November 15, 1978, executed by and among the City and the Banks and Pension Funds named therein.

2.5. Certificate of the First Deputy Comptroller and Director of Management and Budget of the City with respect to no default pursuant to Section 3.10(d) of the Bond Purchase Agreement.

2.6. Certificate of the Mayor and Comptroller of the City pursuant to Section 3038 of the Municipal Assistance Corporation for the city of New York Act (the "MAC Act").

2.7. Certificate of the Mayor of the City pursuant to Section 3037 of the MAC Act.
III. TRUSTEE AND PAYING AGENT DOCUMENTS:

3.1. Certificate as to acceptance of duties of Trustee and showing authority for Authorized Officers to authenticate the Bonds and the due authentication of the Bonds.


IV. OPINIONS:

4.1. Opinions of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation ("General Counsel"), addressed to the Purchasers, concerning the Official Statement.

4.2. Opinion of Messrs. Hawkins, Delafield & Wood, Bond Counsel to the Corporation ("Bond Counsel"), addressed to the Purchasers, concerning the Official Statement.

4.3. Opinion of Messrs. Davis Polk & Wardwell, Special Counsel to the Financial Institutions ("Special Counsel to the Financial Institutions"), addressed to the Financial Institutions, concerning the Official Statement.

4.4. Opinion of General Counsel, addressed to the Purchasers, pursuant to Section 3.12(a) of the Bond Purchase Agreement, together with reliance opinion to the Trustee.

4.5. Opinions of Bond Counsel, addressed to the Corporation, pursuant to Section 3.12(b) of the Bond Purchase Agreement with respect to the Bonds, together with reliance opinions to the Trustee and the Purchasers with respect to the Bonds, and opinion of Bond Counsel, addressed to the Corporation, concerning the State Covenant.

4.6. Opinion of Bond Counsel, addressed to the Corporation, pursuant to Section 3.13(b) of the Bond Purchase Agreement, as to the Bonds not being arbitrage bonds.
4.7. Opinions of Attorney General of the State, addressed to the Chairman of the Corporation, pursuant to Section 3.12(c) of the Bond Purchase Agreement.

4.8. Opinion of City Corporation Counsel, addressed to the Purchasers, pursuant to Section 3.12(d) of the Bond Purchase Agreement.

4.9. Opinion of Messrs. Rogers & Wells, Bond Counsel to the City, addressed to the Purchasers, pursuant to Section 3.12(e) of the Bond Purchase Agreement.

4.10. Opinion of Messrs. Carter, Ledyard & Milburn, Counsel to the Trustee, addressed to the Corporation with respect to the Trustee's authority to act as Trustee and the authentication of the Bond.

4.11. Opinion of Special Counsel for the Financial Institutions, addressed to the Financial Institutions, pursuant to Section 3.12(f) of the Bond Purchase Agreement.

V. TREASURY DOCUMENTS:

5.1. Letters of the Secretary required pursuant to Section 3.18(a) of the Bond Purchase Agreement.

5.2. Determinations of the Secretary required pursuant to Section 3.18(b) of the Bond Purchase Agreement.

VI. MISCELLANEOUS:


6.2. Resolution adopted by the Corporation on November 14, 1978, which amended the General Bond Resolution of the Corporation adopted July 2, 1975, as amended and the Resolution with respect to the issuance by the Corporation of bonds guaranteed by the United States.

6.3. Cross-Receipt of the Purchasers and the Corporation for the Bonds and the proceeds of sale, respectively, and Certificate of Trustee as to receipt of the proceeds of sale of the Bonds.
6.4. Notice by the Corporation to the Purchasers pursuant to Section 5.7 of the Bond Purchase Agreement.

6.5. Order as to deposit and investment of the proceeds of sale of the Bonds.

6.6. Letters delivered by the Corporation to Moody's Investors Service, Inc. and Standard & Poors Corporation and acknowledgment of such rating agencies of receipt of Official Statement pursuant to Section 3.6(d) of the Bond Purchase Agreement.

6.7. Closing Memorandum.

VII. CERTAIN DOCUMENTS RELATED TO THE AGREEMENT TO GUARANTEE:

7.1. Extracts of the Minutes of the Board of Directors Meeting held on November 14, 1978 showing authorization to execute the Agreement to Guarantee (see item 1.6. above).

7.2. Certificate of the Secretary of the Corporation as to the authenticity of the resolution authorizing execution of the Agreement to Guarantee.


7.4. Certificate of the Corporation as to the authenticity of the Guaranty Fund Resolution and the Depository Resolution.

7.5. Acceptance of duties as Depository by Morgan for the Guaranty Fund.

7.7. Extracts of the Minutes of the Board of Directors Meeting held on November 14, 1978, showing adoption of the resolution authorizing the Trustee to surrender for cancellation all notes of the City, other than bond anticipation notes, held by the Corporation (the "Notes").

7.8. Order of the Corporation as to surrender of the Notes to the City.

7.9. Certificate of the Executive Director of the Corporation that Trustee has been directed to surrender to the City the Notes.

7.10. Certificate of the Trustee as to segregation of the Notes of the City.

7.11. Receipt of the City for the Notes surrendered by the Trustee.

VIII. CERTAIN OPINIONS RELATED TO THE AGREEMENT TO GUARANTEE:

8.1. Opinion of General Counsel pursuant to Section 3.2.3. of the Agreement to Guarantee.

8.2. Opinion of Bond Counsel pursuant to Section 3.2.3. of the Agreement to Guarantee.
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 11 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.

$139,525,000

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

% 1978 SERIES 11 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Due July 1, 1998

This Supplement to the Official Statement dated November 1978 (the “Official Statement”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”) is provided for the purpose of setting forth information with respect to the Corporation’s 1978 Series 11 Bonds, which are to be purchased from the Corporation by certain Financial Institutions pursuant to the Financing Agreement, as more fully described in the Official Statement.

Principal of and interest on the 1978 Series 11 Bonds are payable at the corporate trust office of New York, New York, or at the option of the holder at
unless registered. At the option of any Financial Institution, payment of the interest on fully registered 1978 Series 11 Bonds will be made pursuant to the Financing Agreement by check or wire transfer to such Financial Institution without presentation of the 1978 Series 11 Bonds and without any notation of such payment being required. Interest on the 1978 Series 11 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 11 Bonds will be issued as coupon bonds in the denomination of $5,000 or $100,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 11 Bonds, see “PART I—INTRODUCTION” and the references included therein.

The 1978 Series 11 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot on any interest payment date or dates, at an initial redemption price of 102% of the principal amount thereof, and from mandatory sinking fund installments on and after July 1, 1985 at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date, pursuant to the following schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
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<tr>
<td>1985</td>
<td>$ 4,755,000</td>
<td>1992</td>
<td>$12,210,000</td>
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<td>1986</td>
<td>6,800,000</td>
<td>1993</td>
<td>14,950,000</td>
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<td>1987</td>
<td>6,800,000</td>
<td>1994</td>
<td>18,385,000</td>
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<td>1988</td>
<td>11,585,000</td>
<td>1995</td>
<td>21,855,000</td>
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<tr>
<td>1989</td>
<td>11,585,000</td>
<td>1996</td>
<td>2,050,000</td>
</tr>
<tr>
<td>1990</td>
<td>12,245,000</td>
<td>1997</td>
<td>2,010,000</td>
</tr>
<tr>
<td>1991</td>
<td>12,245,000</td>
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</tr>
</tbody>
</table>

$139,525,000 % Term Bonds due July 1, 1998 @ 100%
(Accrued interest to be added)

The average life of the 1978 Series 11 Bonds is approximately 13.1 years

This Supplement must be read in conjunction with the Official Statement to which this Supplement is attached. Such Official Statement relates to the Corporation’s 1978 Series 10 Bonds. The 1978 Series 11 Bonds will be sold to certain of the Financial Institutions pursuant to the Financing Agreement.
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 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.

$125,000,000

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

1978 SERIES 10 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Principal of and interest on the 1978 Series 10 Bonds are payable at the corporate trust office of New York, New York, or at the option of the holder at

unless registered. Interest on the 1978 Series 10 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000.

Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 10 Bonds, see "PART I—INTRODUCTION" and the references included therein.

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part on any interest payment date or dates, at an initial redemption price of 102% of the principal amount thereof, and from mandatory sinking fund installments, at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date, all as more fully described herein.

The Trustee under the Second General Bond Resolution (pursuant to which the 1978 Series 10 Bonds are to be issued) is United States Trust Company of New York.

% Term Bonds due July 1, 2008

Price  %

(Accrued interest to be added)

The 1978 Series 10 Bonds are payable from certain per capita State aid and, to the extent not required for payment of certain other obligations of the Corporation, including bonds issued under the Corporation's First General Bond Resolution, 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 City is not bound or obligated to continue to appropriate such per capita State aid or to continue the imposition of such taxes or to make the necessary payments of such per capita State aid or the necessary appropriations of the revenues derived from such taxes. The Corporation has no taxing power. The 1978 Series 10 Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City shall be liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal or interest on the 1978 Series 10 Bonds.

The 1978 Series 10 Bonds are offered when, as and if issued by the Corporation and received by the Underwriters and subject to approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. It is expected that the 1978 Series 10 Bonds in definitive form will be available for delivery on or about November 30, 1978. At the option of any underwriter, delivery will be available at the Depository Trust Company, New York, New York.

The date of this Official Statement is November , 1978
No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 1978 Series 10 Bonds or any other securities of the Municipal Assistance Corporation for The City of New York by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by such Corporation and by other sources which are believed to be reliable by such Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of such Corporation or of the State of New York or of The City of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE 1978 SERIES 10 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>The Corporation and the Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Recent Legislation Relating to the Corporation</td>
<td>2</td>
</tr>
<tr>
<td>Debt Issuance Plan</td>
<td>2</td>
</tr>
<tr>
<td>Sales Under Debt Issuance Plan and Market Overhang</td>
<td>3</td>
</tr>
<tr>
<td>Additional Limitations on Bond Issuance</td>
<td>4</td>
</tr>
<tr>
<td>Payment of the Second Resolution Bonds</td>
<td>4</td>
</tr>
<tr>
<td>Per Capita Aid, Tax Revenues and Debt Service</td>
<td>5</td>
</tr>
<tr>
<td>Certain Factors</td>
<td>6</td>
</tr>
<tr>
<td>2. FOUR YEAR DEBT ISSUANCE PLAN</td>
<td>6</td>
</tr>
<tr>
<td>3. OUTSTANDING DEBT OF THE CORPORATION</td>
<td>8</td>
</tr>
<tr>
<td>4. USE OF PROCEEDS</td>
<td>8</td>
</tr>
<tr>
<td>5. PROVISIONS FOR PAYMENT OF THE BONDS</td>
<td>9</td>
</tr>
<tr>
<td>General</td>
<td>9</td>
</tr>
<tr>
<td>Appropriation By Legislature</td>
<td>12</td>
</tr>
<tr>
<td>Municipal Assistance State Aid Fund</td>
<td>13</td>
</tr>
<tr>
<td>Per Capita Aid</td>
<td>14</td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>15</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>16</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>20</td>
</tr>
<tr>
<td>Restoration of Capital Reserve Aid Fund</td>
<td>22</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>23</td>
</tr>
<tr>
<td>6. DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS</td>
<td>23</td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>23</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
<td>25</td>
</tr>
<tr>
<td>Debt Service Requirements and Estimated Coverage Ratios</td>
<td>25</td>
</tr>
<tr>
<td>7. BONDS BEING OFFERED</td>
<td>28</td>
</tr>
<tr>
<td>Description of the Bonds</td>
<td>28</td>
</tr>
<tr>
<td>Additional Bonds and Notes</td>
<td>30</td>
</tr>
<tr>
<td>8. CERTAIN DEVELOPMENTS AFFECTING THE STATE</td>
<td>31</td>
</tr>
<tr>
<td>Long-Term Trends</td>
<td>32</td>
</tr>
<tr>
<td>Financial Difficulties of Fiscal Years 1975 and 1976</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Events During Fiscal Years 1977 and 1978</td>
<td>33</td>
</tr>
<tr>
<td>Potential Problems in Current and Subsequent Fiscal Years</td>
<td>33</td>
</tr>
<tr>
<td>9. CERTAIN DEVELOPMENTS AFFECTING THE CITY</td>
<td>37</td>
</tr>
<tr>
<td>Financial Difficulties of 1975</td>
<td>38</td>
</tr>
<tr>
<td>Three Year Financial Plan: Fiscal Years 1976-1978</td>
<td>38</td>
</tr>
<tr>
<td>Four Year Financial Plan: Fiscal Years 1979-1982</td>
<td>40</td>
</tr>
<tr>
<td>Litigation</td>
<td>44</td>
</tr>
<tr>
<td>Expiration of Plan</td>
<td>44</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>45</td>
</tr>
<tr>
<td>10. LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN</td>
<td>45</td>
</tr>
<tr>
<td>State Legislation</td>
<td>46</td>
</tr>
<tr>
<td>Federal Guarantee Act</td>
<td>46</td>
</tr>
<tr>
<td>Pension Legislation</td>
<td>48</td>
</tr>
<tr>
<td>Financing Agreement</td>
<td>48</td>
</tr>
<tr>
<td>Guarantee Agreement</td>
<td>50</td>
</tr>
<tr>
<td>Seasonal Agreement</td>
<td>51</td>
</tr>
<tr>
<td>11. VARIOUS CONTROL PROGRAMS</td>
<td>51</td>
</tr>
<tr>
<td>Powers of the Corporation</td>
<td>52</td>
</tr>
<tr>
<td>Conditions to Payments to the City</td>
<td>52</td>
</tr>
<tr>
<td>Control Board</td>
<td>53</td>
</tr>
<tr>
<td>12. AGREEMENT OF THE STATE OF NEW YORK</td>
<td>54</td>
</tr>
<tr>
<td>13. MANAGEMENT</td>
<td>55</td>
</tr>
<tr>
<td>14. LITIGATION</td>
<td>58</td>
</tr>
<tr>
<td>15. SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION</td>
<td>59</td>
</tr>
<tr>
<td>16. TRUSTEE</td>
<td>71</td>
</tr>
<tr>
<td>17. LEGAL INVESTMENT</td>
<td>72</td>
</tr>
<tr>
<td>18. TAX EXEMPTION</td>
<td>72</td>
</tr>
<tr>
<td>19. LEGAL OPINIONS</td>
<td>72</td>
</tr>
<tr>
<td>20. UNDERWRITING</td>
<td>72</td>
</tr>
<tr>
<td>21. FINANCIAL STATEMENTS</td>
<td>73</td>
</tr>
<tr>
<td>Exhibit A—Audited Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Exhibit B—Opinion of Bond Counsel</td>
<td></td>
</tr>
</tbody>
</table>

Lazard Frères & Co.—Financial Advisor
OFFICIAL STATEMENT

OF

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

Relating to the Issue and Sale of

$125,000,000 of its

1978 Series 10 Bonds

PART 1—INTRODUCTION

The purpose of this Official Statement of the Municipal Assistance Corporation For The City of New York (the “Corporation”) is to set forth information in connection with the offering of the Corporation’s 1978 Series 10 Bonds (the “1978 Series 10 Bonds”). Certain factors that may affect decisions to invest in the 1978 Series 10 Bonds are described in this Official Statement and persons considering a purchase of such Bonds should read this Official Statement in its entirety.

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 State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, each as further amended (the “Act”), for the purpose of assisting The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. To carry out such purpose, the Corporation is empowered, among other things, to issue and sell bonds and notes, to pay or lend funds received from such sales to the City, 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 “PART 11—VARIOUS CONTROL PROGRAMS” and “PART 13—MANAGEMENT.”

The 1978 Series 10 Bonds will be issued pursuant to the Act, the Corporation’s second general bond resolution dated November 25, 1975 (the “Second General Bond Resolution”) and the series resolution of the Corporation authorizing the 1978 Series 10 Bonds (the “1978 Series 10 Resolution”). For a description of the Second General Bond Resolution, see “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION.” All bonds which are or may be issued under the Second General Bond Resolution are herein collectively referred to as the “Second Resolution Bonds.”

The 1978 Series 10 Bonds are due July 1, 2008 and are subject to redemption at the option of the Corporation on and after July 1, 1988 as a whole on any date, or in part on any interest payment date or dates, and are subject to mandatory redemption by lot through operation of a sinking fund. Giving effect to sinking fund redemptions, the average life of the 1978 Series 10 Bonds would be approximately 25% years calculated from November 15, 1978. For a more detailed description of the 1978 Series 10 Bonds, see the cover page of this Official Statement and “PART 7—BONDS BEING OFFERED.”

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and
notes, and notes issued to meet the City’s seasonal borrowing requirements). After the issuance of the 1978 Series 10 Bonds (and giving effect to the prior issuance of the Corporation’s 1978 Series 11, 12 and 13 Bonds), the Corporation will have issued $6.192 billion aggregate principal amount of bonds and notes under this test. The Corporation will have outstanding (excluding bonds that have been refunded) $2.5 billion aggregate principal amount of bonds issued under the Second General Bond Resolution, and $3.132 billion aggregate principal amount of bonds issued under its General Bond Resolution dated July 2, 1975, as amended and supplemented (the “First General Bond Resolution”). The bonds that are or may be issued under the First General Bond Resolution (the “First Resolution Bonds”) have no claim on the per capita State aid pledged to the payment of Second Resolution Bonds, but are payable from and have a prior claim on revenues derived from certain sales and compensating use taxes imposed by the State within the City and, if needed, the State stock transfer tax. See “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS” for a more detailed description of the revenues available for payment of the 1978 Series 10 Bonds.

Recent Legislation Relating to the Corporation

In June 1978 and September 1978 State legislation was enacted (the “1978 Amendments”) that, among other things, amended the Act to increase from $5.8 billion to $8.8 billion the amount of bonds and notes which may be issued by the Corporation and to expand the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments of money to the City for any item that is permitted to be included in the City’s capital budget, (ii) payments that will have the effect of reducing the City’s requirements for State advances of State assistance moneys payable to the City, (iii) payments into a fund in connection with the Federal guarantee of obligations of the City or the Corporation (the “Guarantee Fund”), and (iv) financing the City’s seasonal borrowing requirements.

In addition, the 1978 Amendments authorize and require the Corporation to include, with respect to bonds or notes of the Corporation issued after September 28, 1978, including the 1978 Series 10 Bonds, a covenant of the State (the “1978 State Covenant”) that the State will not take certain actions, including any action that will substantially impair the authority of the New York State Financial Control Board (the “Control Board”) to act in specified respects with regard to the City. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—State Legislation”, “PART 11—VARIOUS CONTROL PROGRAMS—POWERS OF THE CORPORATION” and, with respect to the 1978 State Covenant and its enforceability, “PART 12—AGREEMENT OF THE STATE OF NEW YORK.”

The 1978 Amendments also amended the New York State Financial Emergency Act for the City of New York (as amended, the “Emergency Act”) to, among other things, extend the duration of the Control Board and modify its powers. See “PART 11—VARIOUS CONTROL PROGRAMS—Control Board.”

Debt Issuance Plan

The sale of the Corporation’s 1978 Series 10 Bonds and the prior sale of the Corporation’s 1978 Series 11, 12 and 13 Bonds are among the initial steps in the implementation of a program to provide necessary long and short-term financing to the City over the next four fiscal years, during which time the City expects to follow a plan designed to bring its expense budget into balance in accordance with generally accepted accounting principles (“GAAP”), to reduce its seasonal borrowing requirements, to provide funds for capital expenditures and to enable the City to regain access to the public credit markets. See “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Four Year Financial Plan: Fiscal Years 1979-1982.”

The four year financing plan (the “Debt Issuance Plan”) includes four long-term financing components: (1) the sale of up to $1.8 billion of the Corporation’s Second Resolution Bonds to various New York City commercial banks, savings banks and insurance companies (the “Financial Institutions”) and four City employee pension funds (the “City Pension Funds”); (2) the sale of up to $750 million federally guaranteed City bonds to the City Pension Funds and two State employee pension funds (the “State Pension Funds”); (3) sales to the public of up to $1 billion of the Corporation’s bonds; and (4) sales to the public of up to $950 million of City bonds that are not federally guaranteed (or, if neither the City nor the Corporation is able to sell its bonds to the public in sufficient amounts on reasonable terms to fulfill this element of the Plan, private sales to the City and State Pension Funds
of up to $900 million of federally guaranteed City bonds). The sales to the Financial Institutions and City Pension Funds of the Corporation’s bonds are to be made pursuant to an agreement dated November , 1978 among the Corporation, the Financial Institutions and the City Pension Funds (the “Financing Agreement”). The Federal guarantee of the bonds of the City, authorized by the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the “Federal Guarantee Act”), is to be made pursuant to an agreement dated November , 1978 among the United States of America, the City, the State, the Control Board and the Corporation (the “Agreement to Guarantee”) and the purchase of such guaranteed City bonds (the “Guaranteed City Bonds”) is to be made pursuant to an agreement dated November , 1978 among the United States of America, the City and the City and State Pension Funds (the “Guaranteed Bond Purchase Agreement”) (together, the “Guarantee Agreement”).

In addition, the City’s 1979 seasonal financing requirements are to be met by the loans to the City of up to an aggregate of $750 million evidenced by the City’s short-term notes (which are not to be federally guaranteed) by the City Pension Funds and the commercial banks that are among the Financial Institutions (the “Commercial Banks”) pursuant to an agreement among such purchasers and the City dated November , 1978 (the “Seasonal Agreement”). This commitment will be reduced by the amount of any notes issued by the City or by the Corporation for seasonal financing purposes.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, its implementation is subject to the conditions imposed by Federal and State legislation relating to such a program and to the numerous and complex conditions contained in the Financing Agreement, the Guarantee Agreement and the Seasonal Agreement. Certain of such conditions may be difficult to fulfill and many conditions are not within the control of the Corporation. Among such conditions are the requirement that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter balanced in accordance with GAAP (and make substantial progress toward that goal during fiscal years 1979 through 1981), that the 1978 State Covenant and specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State, and that substantially all the purchases scheduled to have been made pursuant to the Debt Issuance Plan shall have been made.

For more detailed information on the Debt Issuance Plan, see “PART 2—FOUR YEAR DEBT ISSUANCE PLAN.” For a description of the Financing Agreement, Guarantee Agreement and Seasonal Agreement, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

Sales Under Debt Issuance Plan and Market Overhang


The 1978 Private Series Bonds, sold at par, consist of the following:

- Series 11: $139,525,000, *% Term Bonds due July 1, 1998
- Series 12: $60,375,000, *% Term Bonds due July 1, 1998
- Series 13: $201,100,000 Serial Bonds as follows:

<table>
<thead>
<tr>
<th>Due July 1</th>
<th>Amount</th>
<th>Rate</th>
<th>Due July 1</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>6,850,000</td>
<td>*%</td>
<td>1992</td>
<td>17,600,000</td>
</tr>
<tr>
<td>1986</td>
<td>9,800,000</td>
<td>1993</td>
<td>21,550,000</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>9,800,000</td>
<td>1994</td>
<td>26,500,000</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>16,700,000</td>
<td>1995</td>
<td>31,500,000</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>16,700,000</td>
<td>1996</td>
<td>2,950,000</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>17,650,000</td>
<td>1997</td>
<td>2,900,000</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>17,650,000</td>
<td>1998</td>
<td>2,950,000</td>
<td></td>
</tr>
</tbody>
</table>

* Although the Corporation and the Financial Institutions and City Pension Funds had agreed on August 8, 1978 to interest rates for the 1978 Series 11 and 12 Bonds of 8¼% and to a net interest cost for the 1978 Series 13 Bonds of 8¼% (assuming issuance of all such series Bonds at par), such interest rates are now under renewed discussions among the parties to the Financing Agreement. Such discussions will conclude and final terms of such bonds determined and publicly announced prior to the issuance of a final Official Statement.
The 1978 Private Series Bonds, taken as a whole, have an average life of 13.1 years from their date of issuance. Although the Financial Institutions (including the Commercial Banks that are managing and other underwriters of this offering and the Trustee, which is also a Commercial Bank) and the City Pension Funds have agreed, to the extent permitted by law, not to sell, offer to sell, or otherwise dispose of the 1978 Private Series Bonds without the consent of the Corporation and the underwriters for a period of days after the delivery of the 1978 Private Series Bonds, the underwriters, the Financial Institutions and the City Pension Funds may offer or sell all or a portion of such Bonds following expiration of the day period. Any such offer or sale may have an adverse effect on the market price of the 1978 Series 10 Bonds. For further information with respect to the Financing Agreement, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement.”

Commercial Banks, some of which are also underwriters of this offering, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

Additional Limitations on Bond Issuance

The Corporation has included in the 1978 Series 10 Resolution, and in certain other resolutions, a covenant that it will not issue any additional obligations under the First General Bond Resolution if such issuance would cause maximum annual debt service on all obligations issued and outstanding under the First General Bond Resolution to exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes). In addition, the Corporation has covenanted to impose an additional coverage test for the issuance of additional Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds, increasing required coverage from 1.2 times to 2 times.

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation’s bonds and notes outstanding under the First and Second General Bond Resolutions shall not exceed $8.8 billion. Such provision also restricts the Corporation’s issuance of bonds other than pursuant to the First or Second General Bond Resolution and subjects its issuance of short-term notes (which are subordinate to obligations issued under the First or Second Bond Resolution) to the same two-times coverage test imposed on Second Resolution Bonds. For a description of these and other limitations, see “PART 7—BONDS BEING OFFERED—Additional Bonds and Notes.” The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, in certain circumstances after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its bonds may be limited, as described in “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement.”

Payment of the Second Resolution Bonds

The Second Resolution Bonds, including the 1978 Series 10 Bonds, are general obligations of the Corporation, payable from any available revenues of the Corporation not otherwise pledged, as well as from any revenues of the Corporation pledged to the payment of the Second Resolution Bonds.

As described herein, the Corporation’s revenues pledged to the payment of the Second Resolution Bonds are derived from three sources: Per Capita Aid, the Sales Tax and the Stock Transfer Tax. “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 of the Corporation derived from the Sales Tax and the Stock Transfer Tax are pledged to the payment of the Second Resolution Bonds only to the extent that such revenues are not required to meet debt service and capital reserve fund requirements on obligations issued under the First General Bond Resolution.
The methods by which the Corporation receives its revenues are established by State law. The Finance Law provides that, subject to annual appropriation by the State Legislature, Per Capita Aid is apportioned and paid from the Local Assistance Fund in the State's General Fund, 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 the Chairman of the Corporation certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and the Second General Bond Resolution for the Second Resolution Bonds. See "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS—Adjusted Per Capita Aid."

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"). Subject to annual appropriation by the State Legislature, and only after meeting debt service and capital reserve fund requirements on obligations of the Corporation issued under the First General Bond Resolution, to the extent that amounts in the Special Aid Account are insufficient to meet obligations of the Corporation with respect to the Second Resolution Bonds, moneys in the Special Tax Account are to be paid to the Corporation at such times and in such amounts as its Chairman certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and by the Second General Bond Resolution for the Second Resolution Bonds.

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

The State Legislature appropriated Per Capita Aid and the Sales Tax and Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since 1976, including the State's 1979 fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. See "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Appropriation By Legislature." (The State's fiscal year ends March 31 in each year. The fiscal years of both the Corporation and the City end June 30 in each year.)

Amounts paid to the Corporation from the Special Aid Account, and from the Special Tax Account as referred to above, are deposited into the bond service fund and capital reserve fund established under the Second General Bond Resolution and held by the Trustee (the "Bond Service Fund" and "Capital Reserve Aid Fund," respectively). The Second Resolution Bonds are secured by an equal charge and a first lien on all moneys and securities in the Bond Service Fund and the Capital Reserve Aid Fund. The amount required to be deposited in the Bond Service Fund for any fiscal year is the amount needed to pay principal (including Sinking Fund Installments), interest and any redemption premium maturing or otherwise coming due on all outstanding Second Resolution Bonds during such fiscal year. The amount required to be on deposit in the Capital Reserve Aid Fund for any calendar year is a fixed percentage of principal (including Sinking Fund Installments) and interest maturing or otherwise coming due on outstanding Second Resolution Bonds during a specified calendar year.

For a more detailed description of the funds to be used to pay the principal of and interest on the Second Resolution Bonds, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS."

Per Capita Aid, Tax Revenues and Debt Service

Per Capita Aid apportioned and paid into the Special Aid Account and paid to the Corporation, and (to the extent not required by the Corporation) the City, with respect to the Corporation's 1978 fiscal year was approximately $434 million. This amount was subject to reduction by prior claims to Per
Capita Aid, but no claims were asserted. Potential prior claims are described under “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS—Adjusted Per Capita Aid.”

Collections of the Sales Tax and the Stock Transfer Tax with respect to the twelve months ended September 30, 1978, available for payment of the First and Second Resolution Bonds were approximately $1.26 billion (excluding the 25% surcharge formerly imposed on the Stock Transfer Tax, which surcharge terminated July 31, 1978, and net of State expenses of administration and the Corporation’s estimated operating expenses).

The debt service payment requirements on the outstanding First Resolution Bonds at present range from a high of $378 million in the Corporation’s 1986 fiscal year to a low of $299 million in the Corporation’s 1982 fiscal year. After issuance of the 1978 Series 10 Bonds, and after giving effect to the issuance of the 1978 Private Series Bonds, debt service payment requirements on the then outstanding Second Resolution Bonds will range from a high of $322 million in the Corporation’s 1989 fiscal year to a low of $17 million in the Corporation’s 1999 fiscal year. For further information with respect to the Corporation’s revenues and debt service, as well as estimated coverage ratios, and the effect of additional issuances by the Corporation under the Debt Issuance Plan, see “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.”

Certain Factors

The Corporation believes that the market for, the market price of and the sources of payment of the 1978 Series 10 Bonds may be affected by certain factors described elsewhere in this Official Statement. Both the State and the City face serious potential long-term economic and demographic problems which may affect the level of Per Capita Aid and the levels of collections of the Sales Tax and Stock Transfer Tax in the future. If the financings included in the Debt Issuance Plan are not completed on a timely basis and an alternative financing plan is not developed, the market for and market prices of the Corporation’s bonds, including the 1978 Series 10 Bonds would be likely to be adversely affected. For a more detailed description of such problems and other factors, see “PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE”, “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY” and “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

PART 2—FOUR YEAR DEBT ISSUANCE PLAN

The Corporation, in conjunction with the City, has developed the Debt Issuance Plan to provide approximately $4.5 billion of long-term financing for the City during the 1979 through 1982 fiscal years. For a description of the City’s financial plan for such fiscal years, see “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Four Year Financial Plan: Fiscal Years 1979-1982.” The funds to be provided by the Debt Issuance Plan are expected to be used to fund the following items: $2.3 billion for the City’s capital needs; $900 million for certain expense items permitted to be included in the City’s capital budget under State law during the period of the phase-out of such items from the capital budget but not permitted to be included under GAAP; $600 million to refund prior to their maturity certain outstanding bonds of the Corporation; $300 million to fund the Corporation’s capital reserve funds and the Guarantee Fund; and $400 million to reduce the need for an advance from the State to the City of State assistance moneys, an advance made by the State in each of the City’s 1975 through 1978 fiscal years in the amount of $800 million.

The Debt Issuance Plan provides for the sale of an aggregate of $1.8 billion of the Corporation’s Second Resolution Bonds to the Financial Institutions and the City Pension Funds pursuant to the Financing Agreement and for the sale to the public of $1 billion of the Corporation’s bonds. In addition, $750 million is to be provided by the sale of Guaranteed City Bonds to the City and State Pension Funds pursuant to the Guarantee Agreement. The final $950 million of the $4.5 billion is to be provided by the sale to the public in the 1981 and 1982 fiscal years of City bonds that are not federally guaranteed. If neither the City nor the Corporation is able to sell its bonds to the public in the amounts planned on reasonable terms in fiscal years 1981 and 1982, the City and State Pension Funds have agreed to purchase up to an additional $900 million of Guaranteed City Bonds pursuant to, and subject to the conditions of, the Guarantee Agreement.
The year-by-year sources of funds under the Debt Issuance Plan are set forth on the following schedule:

**Debt Issuance Plan**

**Sources of Funds**

**Fiscal Years Ending June 30, 1979-1982**

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Placements of the Corporation's Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Pension Funds</td>
<td>$60,425</td>
<td>$222,240</td>
<td>$222,240</td>
<td>$120,095</td>
<td>$625,000</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>60,425</td>
<td>222,240</td>
<td>222,240</td>
<td>120,095</td>
<td>625,000</td>
</tr>
<tr>
<td>Savings Banks</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>205,150</td>
<td>17,520</td>
<td>17,520</td>
<td>9,510</td>
<td>249,700</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td>401,000</td>
<td>537,000</td>
<td>537,000</td>
<td>324,700</td>
<td>1,799,700</td>
</tr>
<tr>
<td>Sales to the Public of the Corporation's Bonds</td>
<td>500,000</td>
<td>500,000</td>
<td></td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td>Private Placements of Guaranteed City Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Pension Funds</td>
<td>250,000</td>
<td>125,000</td>
<td></td>
<td></td>
<td>375,000</td>
</tr>
<tr>
<td>State Pension Funds</td>
<td>250,000</td>
<td>125,000</td>
<td></td>
<td></td>
<td>375,000</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td>500,000</td>
<td>250,000</td>
<td></td>
<td></td>
<td>750,000</td>
</tr>
<tr>
<td>Sales to the Public of City Bonds</td>
<td></td>
<td></td>
<td>300,000</td>
<td>650,000</td>
<td>950,000</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td>$1,401,000</td>
<td>$1,287,000</td>
<td>$837,000</td>
<td>$974,700</td>
<td>$4,499,700</td>
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</tbody>
</table>

In addition, in order to provide short-term seasonal financing to the City during its current fiscal year, the Commercial Banks and the City Pension Funds have agreed to loan to the City in this fiscal year up to $750 million evidenced by seasonal notes of the City (the "1979 Seasonal Notes") pursuant to the Seasonal Agreement. The 1979 Seasonal Notes will not be federally guaranteed and the amount of 1979 Seasonal Notes to be purchased under the Seasonal Agreement will be reduced by the amount of any seasonal notes sold by the City other than pursuant to the Seasonal Agreement or by the Corporation.

The Financing Agreement, the Guarantee Agreement and the Seasonal Agreement (collectively, the "Agreements") were executed, and the initial purchases provided for in the Financing Agreement and the Guarantee Agreement were made, on November 1, 1978; $401 million of Second Resolution Bonds were sold under the Financing Agreement and $200 million of Guaranteed City Bonds were sold under the Guarantee Agreement.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, the obligations of each of the purchasers to make the further purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirement that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), that specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State, and that substantially all the purchases scheduled to have been made pursuant to the Debt Issuance Plan shall have been made. Accordingly, no assurance can be given that the applicable conditions of the Agreements will in the future be satisfied,
or if satisfied that such purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

For a description of the Agreements, certain of the conditions contained in the Agreements, and the legislation authorizing such Agreements, see "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

PART 3—OUTSTANDING DEBT OF THE CORPORATION

After the issuance of the 1978 Series 10 Bonds, and after giving effect to the delivery of $401 million of 1978 Private Series Bonds to the Financial Institutions and City Pension Funds on November 1978, the Corporation will have outstanding $2.5 billion in Second Resolution Bonds and $3.132 billion in First Resolution Bonds (excluding bonds that have been refunded).

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

As at September 30, 1978, there was on deposit in the Bond Service Fund and the Capital Reserve Aid Fund $50.5 million and $216.1 million, respectively, for the payment of principal and interest on the Second Resolution Bonds, which amounts equal or exceed the amounts required by the Act and the Second General Bond Resolution to be certified for and deposited in such Funds on such date. After application of the proceeds of this offering, and giving effect to the application of the proceeds of the sale of the 1978 Private Series Bonds, there will be on deposit $240.1 million in the Capital Reserve Aid Fund, which amount exceeds the requirement of the Act. See "PART 4—USE OF PROCEEDS."

For additional information concerning the financial condition of the Corporation as at June 30, 1978 and as at September 30, 1978 and certain transactions occurring between September 30, 1978 and the date hereof, see the audited financial statements of the Corporation as at June 30, 1978 and the unaudited financial statements of the Corporation as at September 30, 1978, annexed hereto and "PART 21—FINANCIAL STATEMENTS."

PART 4—USE OF PROCEEDS

The net proceeds of the sales of the 1978 Series 10 Bonds and of the 1978 Private Series Bonds will be $ million and $401 million, respectively, providing aggregate net proceeds of $ Approximately $24 million of the aggregate net proceeds will be deposited in the Capital Reserve Aid Fund established pursuant to the Act and the Second General Bond Resolution. As a result of such deposit, the Capital Reserve Aid Fund under the Second General Bond Resolution will be maintained at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. The Corporation intends in connection with any future issuances of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100% of the debt service coming due in the year of such issuance. The Act requires that as of calendar year 1981, 100% of the succeeding calendar year's debt service be maintained in such Fund. For further information with respect to the Capital Reserve Aid Fund, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—General" and "Restoration of Capital Reserve Aid Fund."

Approximately $47 million of such aggregate net proceeds will be deposited in the Capital Reserve Fund, established pursuant to the Act and the First General Bond Resolution, to bring such Fund up to 75% of debt service due in calendar year 1979 on First Resolution Bonds, which is the level required by the Act to be on deposit for calendar year 1979. Approximately $27 million of such
aggregate net proceeds will be deposited in the Guarantee Fund. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—State Legislation” and “Federal Guarantee Act.”

Of the balance of such aggregate net proceeds, approximately $400 million will be paid to the City upon certification by the Mayor of the City (the “Mayor”) that such payment will have the effect of reducing the City’s requirements for an advance by the State of State assistance moneys payable to the City and approximately $ million will be paid to the City upon certification by the Mayor that such payment will be used to pay expense items currently permitted to be included in the City’s capital budget. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

PART 5—PROVISIONS FOR PAYMENT OF THE BONDS

General

The Second Resolution Bonds are general obligations of the Corporation payable out of any available revenues of the Corporation not otherwise pledged as well as any revenues of the Corporation pledged to the payment of Second Resolution Bonds. The Second Resolution Bonds are entitled to a first lien, created by the pledge under the Second General Bond Resolution, of all moneys and securities paid or deposited into the Bond Service Fund and the Capital Reserve Aid Fund held by United States Trust Company of New York, as trustee (the “Trustee”). Such moneys and securities include each of the following: (i) amounts derived from Per Capita Aid received by the Corporation from the State as payments from the Municipal Assistance State Aid Fund (see “Municipal Assistance State Aid Fund” in this PART 5) for deposit in the Bond Service Fund and in the Capital Reserve Aid Fund; (ii) amounts derived from the Sales Tax and the Stock Transfer Tax received annually by the Corporation from the State as payments from the Municipal Assistance Tax Fund (after payment from such Fund to the Corporation of the amounts required to be deposited in 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” in this PART 5); and (iv) any income or interest earned as a result of investments of such amounts so deposited in such Bond Service Fund and Capital Reserve Aid Fund. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION.” Holders of obligations of the Corporation, including the 1978 Series 10 Bonds, have no lien on moneys on deposit in the Guarantee Fund. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act.”

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 of the Corporation to the State Comptroller and to 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 the fiscal year beginning on the following July 1 on all outstanding Second Resolution 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 be on deposit in the Capital Reserve Aid Fund for a specified calendar year is a fixed percentage of the interest and the principal (including sinking fund installments) maturing or otherwise coming due during such calendar year on all outstanding Second Resolution Bonds, including for such purpose any unpaid amounts of such principal and interest owing in respect of prior calendar years. The fixed percentages of such debt service requirements to be maintained in the Capital Reserve Aid Fund for the calendar years 1978, 1979 and 1980 are 50%, 75% and 100% of the requirements for such years, respectively. Beginning in 1981,
the fixed percentage is 100% of the succeeding calendar year's debt service requirements. As stated above, the Corporation will deposit in the Capital Reserve Aid Fund from the proceeds of the 1978 Series 10 Bonds an amount sufficient to maintain the balance therein at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

Payments to the Corporation of the amounts referred to in clauses (i) and (ii) above are required to be made by the State only if and to the extent that such amounts have been appropriated by the State Legislature or that revenues have otherwise been made available therefor by the State. See “Municipal Assistance State Aid Fund” and “Municipal Assistance Tax Fund” in this PART 5. The source of moneys in the Special Aid Accounts 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 the Special Aid Account only after statutory claims on such aid having a priority over the claims of the Corporation have been paid. Such prior statutory claims are described under “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.” The sources of moneys in the Special Tax Account are the Sales Tax and, if required, the Stock Transfer Tax Fund, the moneys in which are derived from the Stock Transfer Tax imposed by Article 12 of the Tax Law.

The Corporation, in accordance with the Act and pursuant to the express provisions of the Second General Bond Resolution, has covenanted to cause its Chairman to certify (at the time or times required in each year) to the State Comptroller and to the Mayor schedules setting forth the cash requirements of the Corporation and the time or times when such cash is required, all as described above.

In addition to the moneys that become available to the Corporation from the Special 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 any corporate purposes of the Corporation.

The 1978 Amendments authorize the Corporation to take certain actions with respect to City obligations it holds. On November , 1978, in accordance with the Act and the Guarantee Agreement, the Corporation presented to the City for cancellation without payment the tax and revenue anticipation notes and budget notes of the City that it then held. On or before March 31, 1979, the Corporation, as required by the Guarantee Agreement, expects to surrender all City bond anticipation notes it holds to the City for cancellation or in exchange for City bonds or to enter into an agreement with the City satisfactory to the Secretary of the Treasury of the United States of America (the “Secretary”) with respect to payment of such notes. Under the Act, the Corporation may not present City bonds to the City for cancellation without receiving payment of principal and interest thereon or exchanging such bonds for other bonds. See “PART 11—VARIOUS CONTROL PROGRAMS—Powers of the Corporation.” The amount the Chairman is required to certify for debt service on the Second Resolution Bonds may not be reduced by any amounts payable to but not yet received by the Corporation in respect of obligations of the City but may be reduced to the extent that such moneys are received and deposited in the Bond Service or Debt Service Fund. Such obligations of the City held from time to time by the Corporation are not subject to the lien created by the pledge under the First or Second General Bond Resolutions.
The following chart illustrates the flow of money as described above:

1. Subject to appropriation by State Legislature.
2. See "Municipal Assistance State Aid Fund" in this Part 5.
3. Including Capital Reserve Fund requirement.
4. Available, if necessary.
5. After certification by the Corporation as to its requirements.
6. Subject to appropriation by State Legislature and after payment of all amounts certified by the Corporation, if any, and after payment of rebates of the Stock Transfer Tax, see "Stock Transfer Tax" in this Part 5.
7. After payment of all amounts certified by the Corporation.
Neither the Corporation nor the holders of the Second Resolution 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 Second Resolution 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 Second Resolution Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City is liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal of or interest on the Second Resolution 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 any appropriation. Under the State Constitution, an appropriation of State funds must be paid out within two years of the date of the appropriation act so that such aid and taxes may not be appropriated by a current Legislature for future years. 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 current fiscal year. It is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years, see "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE."

The Sales Tax is now imposed at the same rate and upon substantially the same base as the previously imposed City sales tax. Under the Finance Law, the Sales Tax 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 has been appropriated and has been paid to the Corporation in full. Provisions of the Finance Law similarly restrict the use of moneys in the Special Aid Account in the Municipal Assistance State Aid Fund by the State Comptroller. The Special Aid Account is also a special fund of the State.

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

Article 7, Section 16 of the State Constitution provides that if the State Legislature shall fail to make an appropriation for the payment of principal of and interest on State debt obligations, including sinking fund payments, as the same shall fall due, the State Comptroller "... shall set apart from the first revenues thereafter received, applicable to the general fund of the State, a sum sufficient to pay such interest, installments of principal, or contributions to such sinking fund, as the case may be, and shall so apply the moneys thus set apart." Section 55 of the Finance Law provides that, under certain terms and conditions, the State Comptroller is to set aside all taxes and revenues that would otherwise be payable into the General Fund of the State (with certain itemized exceptions) in a note repayment account 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 State Legislature to make the appropriation to pay State debt obligations, moneys applicable to the General Fund of the State and otherwise available for the apportionment and payment of Per Capita Aid will be subject to being set apart or applied by the State Comptroller to pay State obligations.

Although the Special Aid Account is a special fund of the State, the moneys in such Account are derived from the General Fund of the State and it is unclear whether such moneys would be subject to being set aside by the State Comptroller pursuant to either Section 55 of the Finance Law or Article 7, Section 16 of the State Constitution.

**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. Subject to appropriation by the State Legislature, the Special Aid Account receives revenues from the Per Capita Aid after certain claims having a priority on the payment of such aid have been satisfied. For a description of such prior claims, see “Part 6—Debt Service Payment Requirements and Estimated Coverage Ratios.”

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 moneys, 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 payment from the Special Tax Account, subject to prior claims thereon with respect to obligations issued under the First General Bond Resolution and the Operating Fund requirements, to the Corporation of an amount equal to the deficiency. See “Municipal Assistance Tax Fund” in this Part 5.

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 Finance Law, the State Comptroller may not disburse amounts from the Special Aid Account (or 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 payments to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund from the Special Aid Account and the Special Tax Account to be made on or before January 15, April 15, June 25 and October 15 in each year. Moneys on deposit in the Special Aid Account in excess of the amount certified by the Chairman as required by the Corporation are paid to the City. Although quarterly payments of Per Capita Aid are provided for by the Finance Law, substantially all of the Per Capita Aid payable to the Corporation (and, to the extent not required by the Corporation, payable to the City) is paid on an annual basis as part of the June 25 payment. That portion of the June 25 payment of Per Capita Aid not required by the Corporation is paid to the City on June 30. 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 payments from the Special Aid Account and from the Special Tax Account, which payments are expected to aggregate the total debt service payments required to be made in such year, see "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Maintenance of Certain Funds."

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 or refusal of the State to continue to apportion and pay Per Capita Aid, as the laws relating to Per Capita Aid may be amended, or the failure of the State to maintain the existence of the Municipal Assistance State Aid Fund or the Special Aid Account or a reduction by the State of the amount of Per Capita Aid, as so amended, payable during any fiscal year to an amount less than the amount of principal and interest maturing or otherwise coming due in such fiscal year 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 Second Resolution Bonds. See "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Events of Default."

The State Comptroller may in his discretion invest revenues on deposit 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**

The determination of the amount of Per Capita Aid payable in any year is a legislative act based on complex statutory formulae which take into account the distribution of the State's population, the total assessed valuation of real property taxable within the State as modified to reflect the appropriate equalization rate, personal income, and the 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 1946. The State Legislature may amend or repeal the statutes relating to the payment of Per Capita Aid and the formulae for the determination of the amount of Per Capita Aid. Such amendments could result in the increase or decrease of the amount of Per Capita Aid available for the payment of debt service on Second Resolution Bonds. The State Legislature may also make no appropriation of Per Capita Aid. The financial condition of the State may affect the amount of Per Capita Aid payable.

Payments of Per Capita Aid, upon certification of the State Board of Equalization and Assessment, are apportioned and paid to the Special Aid Account on audit and warrant of the State Comptroller out of moneys appropriated by the State Legislature for such purpose.

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. The following table, which is based on data obtained from the City Office of
Management and Budget, the State Comptroller's office and the State Division of the Budget, indicates the aggregate payments of Per Capita Aid apportioned and paid to the City and, since 1976, to the Corporation for the nine fiscal years ended June 30, 1978:

**Per Capita Aid**

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$204,800</td>
</tr>
<tr>
<td>1971</td>
<td>323,900(a)</td>
</tr>
<tr>
<td>1972</td>
<td>272,250</td>
</tr>
<tr>
<td>1973</td>
<td>331,780</td>
</tr>
<tr>
<td>1974</td>
<td>360,870</td>
</tr>
<tr>
<td>1975</td>
<td>$405,118</td>
</tr>
<tr>
<td>1976</td>
<td>434,311</td>
</tr>
<tr>
<td>1977</td>
<td>434,311(b)</td>
</tr>
<tr>
<td>1978</td>
<td>434,324(b)(c)</td>
</tr>
</tbody>
</table>

(a) Includes a non-recurring increase in Per Capita Aid apportioned because of an acceleration of payment otherwise to be made in 1972.

(b) Reflects State's ceiling on Per Capita Aid payments at the 1976 level, with certain minor modifications applicable to 1978 payments.

(c) An additional $49.276 million was paid into the Special Aid Account in October 1978, which amount is (together with the $434.324 million previously paid) attributable to the State's 1979 fiscal year.

**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 Finance Law provides for the appropriation of the Sales Tax by the State Legislature (although the State Legislature is not obligated or bound to make such appropriation) (i) to the Corporation in order to enable the Corporation to fulfill the terms of any agreements made with the holders of the Corporation's obligations issued pursuant to the First General Bond Resolution, (ii) after payments of the amounts required by (i), to the Corporation to enable the Corporation to fulfill the terms of any agreements made with the holders of the Second Resolution Bonds and to carry out its corporate purposes, and (iii) to the City, to the extent of any balance. The Act provides that any provision therein or in any agreement by the Corporation with the holders of the Corporation's obligations which relates to certain taxes, including the Sales Tax and the Stock Transfer Tax, or to certain funds, including the Municipal Assistance Tax Fund and the Special 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.

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 (in addition to the certifications required under the First General Bond Resolution), 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 at the required level. Pursuant to the Finance Law, 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.

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. See “Stock Transfer Tax” in this PART 5.

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 Tax Account at such times and in such amounts as shall be necessary to enable the Corporation to meet its debt service and Capital Reserve Aid Fund requirements, subject to the prior payment from the Special Tax Account to the Debt Service Fund and Capital Reserve Fund established and maintained under the First General Bond Resolution with respect to obligations issued thereunder and Operating Fund requirements. For additional information concerning the certification procedure, see “PART 15—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 of the amount of revenues received, 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 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 State Legislature. However, the State is not bound or obligated to continue the imposition of either the Sales Tax or the Stock Transfer Tax or to maintain the existence of the Special 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 or refusal of the State for any reason to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by such Law as the same may be from time to time amended or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975, or the failure of the State to maintain the existence of the Special Tax Account or the Stock Transfer Tax Fund, or (ii) the failure of the State Comptroller to pay to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund the amount or amounts as shall be certified by the Chairman, shall each constitute an event of default with respect to the Second Resolution Bonds. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Events of Default.”

Sales Tax

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

The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such
tax are necessarily indicative of future receipts. The primary cause of the growth of sales tax collections in recent years has been inflation. The City has, however, experienced adverse trends in certain economic and demographic factors which contributed in some years to a slowing of the growth rate of sales tax collections. Employment in the City decreased by 9.8% between 1970 and July 1978, as compared to an increase of 20.1% for the United States. The City's unemployment rate, unadjusted for seasonal factors, rose from 4.8% in 1970 to a peak of 11.1% in January 1977 and has since declined to 8.8% as of July 1978. The seasonally adjusted unemployment rate for the United States increased from 4.9% in 1970 to a peak of 9.1% in February through May 1975, and has since declined to 6.2% as of July 1978. The population of the City is estimated to have decreased by approximately 7% between 1970 and June 1978 as compared to a population increase of 6.9% for the United States. (The sources statistics referred to in this paragraph are the New York State Department of Labor, the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of the Census. Statistics for 1970 are annual averages.) See “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

If negative trends continue or accelerate, Sales Tax collections may be adversely affected. The Corporation believes that it is not possible to predict the effect of future developments with respect to the City’s economic condition or other related economic developments in the City on Sales Tax collections. 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.

Generally, vendors of any item including services, the sale of which is subject to the imposition of the Sales Tax, are required to file returns and pay this tax on a quarterly basis. Under existing statutes and regulations, such returns and payments are due on September 20, December 20, March 20 and June 20 for the quarter ending on the last day of the preceding month. Since March 1, 1976, however, those large vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, are required to file monthly returns on an historical basis and make monthly payments in addition to filing regular quarterly returns to reconcile their monthly returns with their actual receipts. The same filing requirement was imposed upon vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters from September 1, 1977 to February 28, 1978, but has since been repealed. In addition, such vendors with receipts of $300,000 or more are required to prepay estimated Sales Tax liability for the month of March by March 20 and payments required to be made by April 20 are reduced by the amount of such March estimated payments.

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 Commissioner of Taxation and Finance is required to certify to the State Comptroller the amount of all Sales Tax revenues received, after deduction of administrative costs, during the prior month as a result of the Sales Tax and all interest and penalties imposed. In addition, on or before the last day of June, the Commissioner is required to certify the amount of such revenues received during the first five days of June. All such amounts are required to 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 the table below as to adjustments that may be made with respect to the amounts deposited in the Special Tax Account.

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

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Three Months Ended:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
</tr>
<tr>
<td>1969</td>
<td>$101,388</td>
</tr>
<tr>
<td>1970</td>
<td>106,046</td>
</tr>
<tr>
<td>1971</td>
<td>114,093</td>
</tr>
<tr>
<td>1972</td>
<td>121,692</td>
</tr>
<tr>
<td>1973</td>
<td>130,857</td>
</tr>
<tr>
<td>1974</td>
<td>135,272</td>
</tr>
<tr>
<td>1975(b)</td>
<td>173,824</td>
</tr>
<tr>
<td>1976(b)</td>
<td>194,560(c)</td>
</tr>
<tr>
<td>1977(b)</td>
<td>215,794(e)</td>
</tr>
<tr>
<td>1978(b)</td>
<td>221,815(e)</td>
</tr>
<tr>
<td>1979(b)</td>
<td>232,732(e)</td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) The tabular figures have been adjusted through March 1978 to reflect overpayments or underpayments of both sales and compensating use taxes imposed by the City prior to July 1, 1975, and Sales Tax, to the Special Account. Such adjustments were made to subsequent distributions of the Sales Tax to the Special Account and are reflected in the tabular figures in the quarter in which such adjustments were made. Periods subsequent to March 1978 remain subject to the ongoing process of adjustment.

(b) The amounts of sales and compensating use taxes collected for fiscal 1975, 1976, 1977, 1978 and 1979 reflect the increases in the sales and compensating use taxes from 3% to 4%, effective July 1, 1974. The 6% tax on sales of certain parking services has remained the same.

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

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

(e) As a result of the method of monthly filing on an historical basis by large vendors and distribution to localities of Sales Tax for all periods on an historical basis, overdistributions were made to the Special Account which ranged from $2.4 million to $11.1 million for certain three-month periods. The State Department of Taxation and Finance has made reductions in distributions to reflect these overpayments and, in addition, has made increases in distributions in amounts ranging from $1.9 million to $5.6 million to reflect underdistributions for certain periods. The Commissioner of Taxation and Finance believes that future adjustments, occasioned by overdistributions and underdistributions to such Special Account, will be reduced as the State Department of Taxation and Finance improves its techniques and procedures for estimating distributions of payments received from large vendors.

(f) Collections for October 1977 through March 1978 reflect the fact that vendors with taxable receipts of between $100,000 and $300,000 in any quarter of the preceding four quarters were required to make monthly returns and remittances of Sales Tax during that period. As stated above in the text, commencing March 1978 such vendors are no longer required to make and file returns on a monthly basis.
After deductions for the costs of administration, collection and distribution, monthly collections of the sales and compensating use taxes which were imposed by the City prior to July 1, 1975, and of the Sales Tax imposed by the State since July 1, 1975, for the last five fiscal years of the City are as shown below:

### Monthly Collections of Sales and Compensating Use Taxes in the City(a)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1974</td>
</tr>
<tr>
<td><strong>July</strong></td>
<td>$ 5,127</td>
</tr>
<tr>
<td><strong>August</strong></td>
<td>3,692</td>
</tr>
<tr>
<td><strong>September</strong></td>
<td>126,453</td>
</tr>
<tr>
<td><strong>October</strong></td>
<td>5,746</td>
</tr>
<tr>
<td><strong>November</strong></td>
<td>3,795</td>
</tr>
<tr>
<td><strong>December</strong></td>
<td>132,432</td>
</tr>
<tr>
<td><strong>January</strong></td>
<td>7,259</td>
</tr>
<tr>
<td><strong>February</strong></td>
<td>2,787</td>
</tr>
<tr>
<td><strong>March</strong></td>
<td>141,529</td>
</tr>
<tr>
<td><strong>April</strong></td>
<td>5,473</td>
</tr>
<tr>
<td><strong>May</strong></td>
<td>5,382</td>
</tr>
<tr>
<td><strong>June</strong></td>
<td>141,123</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 580,798</td>
</tr>
</tbody>
</table>

**Source:** State Department of Taxation and Finance.

(a) See footnotes (a), (c) and (f) to preceding table.

(b) Commencing March 1976, monthly collections reflect the requirement that vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, file monthly returns, and make monthly payments, on an historical basis. In addition, collections in October through March of the 1978 fiscal year reflect the fact that vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters were required to make such payments for sales made between September 1, 1977 and February 28, 1978.

(c) See footnote (c) to preceding table.

(d) Certain large vendors are required to report and make payment in March for estimated amounts of Sales Tax for such month as well as making a payment for the preceding February and making a reconciliation for the quarter ended the preceding February 28. Adjustments necessary to report and reflect actual amounts of Sales Tax for the month of March are required to be made on the monthly return due in the following April.
Stock Transfer Tax

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

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

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

Transactions Other Than Sales

| Per share | 2 1/4¢ |

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

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

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

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

**QUARTERLY COLLECTIONS OF STOCK TRANSFER TAX**

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Three Months Ended:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
</tr>
<tr>
<td>1970</td>
<td>$ 56,571</td>
</tr>
<tr>
<td>1971</td>
<td>46,563</td>
</tr>
<tr>
<td>1972</td>
<td>62,573</td>
</tr>
<tr>
<td>1973</td>
<td>59,405</td>
</tr>
<tr>
<td>1974</td>
<td>43,612</td>
</tr>
<tr>
<td>1975</td>
<td>35,756</td>
</tr>
<tr>
<td>1976(a)</td>
<td>53,049</td>
</tr>
<tr>
<td>1977(a)</td>
<td>62,220</td>
</tr>
<tr>
<td>1978(a)</td>
<td>68,770</td>
</tr>
<tr>
<td>1979(a)</td>
<td>112,476</td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

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

The rates and maximum amounts of Stock Transfer Tax have been different for different categories of taxable transactions. Prior to October 1, 1977, the tax rate applicable to transactions involving sales by non-residents of the State (as defined in the Tax Law) made within the State had been 50% of the rates then applicable to residents (the “non-resident rate”). In addition, the amount of tax required to be paid on any taxable transaction which involved a sale on a single day (whether made by a resident or a non-resident) made within the State that related to shares or certificates of the same class and issued by the same issuer had been limited to $350 (excluding the surcharge) (the “maximum tax”). In January 1977, this distinction between sales made within the State and sales made outside of the State with respect to the maximum tax and the non-resident rate was declared unconstitutional by the United States Supreme Court. State legislation enacted in 1977 repealed the non-resident rate and the maximum tax, thus eliminating the unconstitutional distinction in the law between sales made within the State and sales made outside the State. The legislation established a new maximum tax, applicable to qualifying sales made within or outside the State.

The Corporation believes that the new maximum tax will cause only a negligible loss in Stock Transfer Tax collections because, although precise data are not available, studies by consultants to the Corporation indicate that the number of transactions involving a sale made outside of the State and subject to a tax in excess of the maximum tax is not material.

In addition, in order to eliminate the competitive disadvantage created by the Stock Transfer Tax for the securities industry in New York, the legislation enacted in 1977 instituted a program of statutory rebates, which began October 1, 1977 with respect to transactions by non-residents subject to the tax and will begin October 1, 1979 with respect to transactions by residents. Rebates will increase gradually to equal 100% of the tax beginning October 1, 1981. The legislation provides that taxpayers will continue to pay the Stock Transfer Tax at the above-stated rates and that revenues will continue to be paid into the Stock Transfer Tax Fund, although a substantial portion of such revenues (the rebateable portion of the tax) will be paid into the Stock Transfer Tax Fund only at the end of each calendar quarter. To the extent that the Corporation does not require the use of Stock Transfer Tax revenues for debt service on its outstanding bonds and notes, and that under the Act such revenues would otherwise have been paid to the City, such revenues are available on a quarterly basis for payment of rebates. Any such revenues...
not used by the Corporation or to pay rebates are to be paid to the City. In the opinion of Bond Counsel
to the Corporation, the procedures with respect to the levy, collection, payment and rebate of the Stock
Transfer Tax established by such legislation do not violate any of the provisions of the First or Second
General Bond Resolution or any series resolution adopted pursuant thereto.

To date, the Corporation has not found it necessary to use the Stock Transfer Tax to pay its
debt service. Based on present projections, the Corporation does not anticipate that it will be necessary
to utilize the Stock Transfer Tax in the future, although no assurance can be given that it will not be so
required. See "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS."

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 require-
ment, 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 will be the amount of principal of
and interest maturing or otherwise due or becoming due in the succeeding calendar year on any Second
Resolution Bonds then to be issued and on all other Second Resolution Bonds of the Corporation then
outstanding, including for such purpose any unpaid amounts of principal and interest owing on Second
Resolution Bonds 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 "General" in this PART 5.

Under the State Constitution, no money may be paid out of the State Treasury or any of its funds or
out of any of the funds under its management except pursuant to an appropriation by law specifying the
sum appropriated, and payment thereunder shall be made within two years immediately following passage
of such law. Accordingly, the provision of the Act quoted above does not constitute an enforceable
obligation or debt of the State. See "Appropriation by Legislature" in this PART 5.
A part of the net proceeds from the sale of the 1978 Series 10 Bonds will be deposited by the Corporation in the Capital Reserve Aid Fund in an amount sufficient to maintain the balance therein at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The Corporation intends in connection with any future issuance of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100% of the debt service coming due in the year of issuance. As of calendar year 1981, the Corporation must maintain the Capital Reserve Aid Fund at 100% of the succeeding calendar year's debt service, as required by the Act. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

**Federal Bankruptcy Legislation**

As discussed under "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY", pursuant to the Federal Bankruptcy Act, Chapter 9, a petition for relief (a "Chapter 9 petition") may be filed by any State agency that is authorized under State law to file such a petition. The Corporation is an agency and instrumentality of the State and, if authorized to file a petition by the State Legislature or other appropriate authority, could file a Chapter 9 petition if the Corporation were insolvent or unable to meet its debts as they mature, and were to meet the other conditions specified in Chapter 9. The Corporation is not now authorized by the State to file a Chapter 9 petition, although it may be so authorized in the future. If the Corporation commenced such a Chapter 9 proceeding, the 1978 Series 10 Bonds would be among the debts of the Corporation it could seek to modify or adjust by a plan in that proceeding. The Corporation does not anticipate that it will seek such authorization and does not anticipate a need for such relief.

Although the filing of a Chapter 9 petition with respect to the City might have a general adverse effect on the economic health of the City, the Corporation believes that the filing by the City or the Control Board of a Chapter 9 petition would not affect the ability of the Corporation to repay its obligations, including the 1978 Series 10 Bonds, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

A revised Federal Bankruptcy Act, including a revised Chapter 9, was signed by the President on November 6, 1978. Such revised Chapter 9, which is effective October 1, 1979, will not materially alter the provisions of Chapter 9 described above.

**PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS**

In order to estimate coverage ratios for the Second Resolution Bonds that will be outstanding after the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds, the Corporation has assumed certain amounts of Per Capita Aid, Sales Tax and Stock Transfer Tax collections. There is shown below the basis on which such amounts were calculated. The debt service payment requirements for the First and Second Resolution Bonds as well as certain coverage ratios are also shown below.

*Adjusted Per Capita Aid*

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, although during the Corporation's 1978 fiscal year, no such claims were asserted. In making such estimates the Corporation has relied on information which it believes to be accurate and has assumed that such claims and liabilities do not exceed the limits set by law.
Per Capita Aid Paid into Special Aid Account during the Corporation's fiscal year 1978 .......................................................... $ 434,324

Less Potential Claims and Liabilities:

(a) City University Construction Fund ("CUCF").

The Corporation has been informed by CUCF that its annual requirements, for payment to the Dormitory Authority as its share of certain Dormitory Authority debt service and other expenses, are approximately $55.8 million, 50% of which would be a claim against Per Capita Aid if not otherwise paid by the City to CUCF. The Dormitory Authority anticipates the issuance in the near future of an additional approximately $30 million of bonds, 50% of the debt service on which could constitute an additional claim against Per Capita Aid. The New York State Financial Emergency Act For The City of New York (the "Emergency Act") permits a maximum claim of $65 million in any fiscal year of the City pursuant to the City University Construction Fund Act* .......................... $ 27,876

(b) New York City Housing Development Corporation ("HDC").

Amounts required to restore the HDC capital reserve fund to the amount required in such fund would be a claim against Per Capita Aid if not otherwise paid. 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 $19.9 million. HDC has outstanding $37.7 million in bond anticipation notes which HDC expects to fund with the issuance of bonds. The funding of such notes 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 therefor. The Emergency Act also permits a maximum claim of the lesser of $85 million or an amount equal to the maximum annual debt service on bonds issued by HDC in an aggregate principal amount of $800 million .................... $ 19,900

(c) New York City Transit Authority ("NYCTA").

(i) Pursuant to Section 2 of Chapter 7 of the 1972 Laws of the State the City was required to pay an aggregate $51 million in equal annual installments for the ten years commencing December 31, 1972 to the NYCTA to enable the NYCTA to pay certain notes issued in anticipation of the receipt of revenues by the NYCTA. $15.3 million in aggregate principal amount of such notes, bearing interest at the rate of eight percent (8%) a year, were outstanding. 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 .................. $ 6,324

(ii) 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 million 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 $20.0 million remains outstanding . . . $ 20,000

(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 $ 74,600

Amount of Per Capita Aid for the Corporation’s 1978 Fiscal Year, Net of Potential Claims and Liabilities ................................... $ 359,724

24
*Although the Emergency Act purports to limit claims on the Per Capita Aid as noted in (a) 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 to finance CUCF facilities are accelerated pursuant to the occurrence of an event of default under the related Dormitory Authority bond resolutions. In such event, all such outstanding bonds of the Dormitory Authority could be due and payable and could, to the extent of fifty per cent of such principal amount, have a prior claim on the Per Capita Aid. The Dormitory Authority has outstanding $627.6 million in such bonds and anticipates, as shown in item (a) above, that an additional approximately $30 million of such bonds will be issued shortly.

The potential claims and liabilities related to the NYCTA noted in (c) above will be reduced in each fiscal year through the fiscal year ending June 30, 1983 and as a result the amount of Per Capita Aid subject to such prior claims will decrease. Assuming that State appropriations of Per Capita Aid remain constant at $434 million and no additional obligations having a claim on the Per Capita Aid are issued by HDC or to finance CUCF facilities (including the proposed issuances referred to above), the adjusted Per Capita Aid ("Adjusted Per Capita Aid") available to the Corporation would be as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Adjusted Per Capita Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$359,724</td>
</tr>
<tr>
<td>1980</td>
<td>380,132</td>
</tr>
<tr>
<td>1981</td>
<td>380,540</td>
</tr>
<tr>
<td>1982</td>
<td>380,948</td>
</tr>
<tr>
<td>1983 and thereafter</td>
<td>386,456</td>
</tr>
</tbody>
</table>

**Aggregate Sales and Stock Transfer Taxes**

Assuming that the Sales Tax and Stock Transfer Tax collections (after deduction of costs of administration, collection and distribution) in each fiscal year remain at the levels for the 12 months ended September 30, 1978, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax" and "Stock Transfer Tax", and operating expenses of the Corporation remain at $5.5 million (the estimate for the current fiscal year), the aggregate annual amount which would be available from the Sales Tax and the Stock Transfer Tax, if needed (the "Aggregate Sales and Stock Transfer Taxes"), to pay debt service of the Corporation is shown below:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections for the 12 months ended September 30, 1978</td>
</tr>
<tr>
<td>Stock Transfer Tax collection for the 12 months ended September 30, 1978</td>
</tr>
<tr>
<td>Sub-total</td>
</tr>
<tr>
<td>Less: Operating expenses of Corporation</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
</tr>
</tbody>
</table>

(a) Exclusive of $64,958 million attributable to the 25% surcharge, discussed in "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Stock Transfer Tax."

**Debt Service Requirements and Estimated Coverage Ratios**

As shown above, the Adjusted Per Capita Aid ranges from approximately $359.7 million for 1979 to approximately $386.5 million for 1983. As is also shown above, Aggregate Sales and Stock Transfer Taxes are approximately $1.26 billion.
The following table shows the aggregate annual debt service payment requirements on the First Resolution Bonds, which have a prior claim to that of the Second Resolution Bonds on the Sales and Stock Transfer Taxes. The 1978 Series 10 Resolution and certain other resolutions include a covenant by the Corporation that it will not issue any Bonds, Notes or Other Obligations under the First General Bond Resolution if the aggregate annual debt service in any fiscal year on all obligations issued and outstanding under the First General Bond Resolution would exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes).

In addition, the table shows the annual principal payments, interest payments and the aggregate debt service payment requirements on all outstanding Second Resolution Bonds after giving effect to the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The table also shows the coverage of aggregate annual debt service on Second Resolution Bonds by:

(i) Adjusted Per Capita Aid, after deducting therefrom the $5.5 million estimated operating expenses of the Corporation for the current fiscal year, and by

(ii) all revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) after deducting from such revenues the aggregate annual debt service requirements with respect to the First Resolution Bonds and operating expenses.

There is no assurance, however, that Adjusted Per Capita Aid, Aggregate Sales and Stock Transfer Taxes or operating expenses will in fact remain at the levels referred to above in subsequent years. Furthermore, the Corporation reserves the right to issue additional obligations pursuant to the First and Second General Bond Resolutions within the limitations contained in such Resolutions, the 1978 Series 10 Resolution and the Financing Agreement.
## Debt Service Payment Requirements and Estimated Coverage Ratios

(after issuance of 1978 Series 10 Bonds and 1978 Private Series Bonds)

(Dollars in thousands)

<table>
<thead>
<tr>
<th>12-Month Period Ended June 30</th>
<th>Total Debt Service Payment Requirements on First Resolution Bonds</th>
<th>Debt Service Payment Requirements on Second Resolution Bonds</th>
<th>Estimated Coverage Ratios on Second Resolution Bonds by (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Payments(a)</td>
<td>Interest Payments*</td>
<td>Total Debt Service*</td>
</tr>
<tr>
<td>1979</td>
<td>$33,745</td>
<td>$161,229</td>
<td>$194,974</td>
</tr>
<tr>
<td>1980</td>
<td>36,555</td>
<td>208,906</td>
<td>245,461</td>
</tr>
<tr>
<td>1981</td>
<td>65,645</td>
<td>198,025</td>
<td>263,670</td>
</tr>
<tr>
<td>1982</td>
<td>70,150</td>
<td>192,726</td>
<td>262,876</td>
</tr>
<tr>
<td>1983</td>
<td>85,815</td>
<td>186,627</td>
<td>272,442</td>
</tr>
<tr>
<td>1984</td>
<td>116,485</td>
<td>178,455</td>
<td>294,940</td>
</tr>
<tr>
<td>1985</td>
<td>126,380</td>
<td>168,420</td>
<td>294,800</td>
</tr>
<tr>
<td>1986</td>
<td>149,670</td>
<td>157,019</td>
<td>306,689</td>
</tr>
<tr>
<td>1987</td>
<td>168,055</td>
<td>143,906</td>
<td>311,961</td>
</tr>
<tr>
<td>1988</td>
<td>183,475</td>
<td>129,571</td>
<td>313,046</td>
</tr>
<tr>
<td>1989</td>
<td>208,250</td>
<td>113,752</td>
<td>322,002</td>
</tr>
<tr>
<td>1990</td>
<td>220,120</td>
<td>96,415</td>
<td>316,535</td>
</tr>
<tr>
<td>1991</td>
<td>234,020</td>
<td>77,995</td>
<td>312,015</td>
</tr>
<tr>
<td>1992</td>
<td>252,585</td>
<td>58,231</td>
<td>310,816</td>
</tr>
<tr>
<td>1993</td>
<td>281,590</td>
<td>36,614</td>
<td>318,204</td>
</tr>
<tr>
<td>1994</td>
<td>42,970</td>
<td>23,479</td>
<td>66,449</td>
</tr>
<tr>
<td>1995</td>
<td>52,840</td>
<td>19,508</td>
<td>72,348</td>
</tr>
<tr>
<td>1996</td>
<td>62,810</td>
<td>14,701</td>
<td>77,511</td>
</tr>
<tr>
<td>1997</td>
<td>5,885</td>
<td>11,842</td>
<td>17,727</td>
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<tr>
<td>1998</td>
<td>5,785</td>
<td>11,356</td>
<td>17,141</td>
</tr>
<tr>
<td>1999</td>
<td>5,885</td>
<td>10,870</td>
<td>16,755</td>
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<tr>
<td>2000</td>
<td>8,275</td>
<td>10,273</td>
<td>18,548</td>
</tr>
<tr>
<td>2001</td>
<td>9,010</td>
<td>9,539</td>
<td>18,549</td>
</tr>
<tr>
<td>2002</td>
<td>9,810</td>
<td>8,739</td>
<td>18,549</td>
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<td>2003</td>
<td>10,680</td>
<td>7,868</td>
<td>18,548</td>
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<td>2004</td>
<td>11,630</td>
<td>6,920</td>
<td>18,550</td>
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<tr>
<td>2005</td>
<td>12,660</td>
<td>5,888</td>
<td>18,548</td>
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<tr>
<td>2006</td>
<td>13,785</td>
<td>4,764</td>
<td>18,549</td>
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<tr>
<td>2007</td>
<td>15,010</td>
<td>3,540</td>
<td>18,550</td>
</tr>
<tr>
<td>2008</td>
<td>16,345</td>
<td>2,207</td>
<td>18,552</td>
</tr>
<tr>
<td>2009</td>
<td>17,795</td>
<td>756</td>
<td>18,551</td>
</tr>
</tbody>
</table>

(a) Includes Sinking Fund Installments.

(b) Coverage ratios for the years 1997 to 2009 are not shown because of the relatively small amount of debt service in such years compared to the amount of revenues.

*Interest payments and coverage ratios estimated solely for the purposes of this calculation in this preliminary Official Statement assume: (1) that interest rates on the 1978 Private Series Bonds will be 8 1/4%, see the footnote on page 3, and (2) that interest rates on the 1978 Series 10 Bonds will be 81/2%.

27
All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on the First and Second Resolution Bonds, shown in the table above for the years 1979-1995, from 3.83 times in 1995 to 2.35 times in 1989 and such coverages average approximately 2.66 times.

The Corporation anticipates that additional First and Second Resolution Bonds in the aggregate amount of approximately $2.3 billion will be issued over the next four years pursuant to the Debt Issuance Plan (after the issuance of the 1978 Series 10 and the 1978 Private Series Bonds), and that such issuances can be made within the coverage tests required to be applied under the Second General Bond Resolution, the 1978 Series 10 Resolution and certain other resolutions of the Corporation, see “PART 7—BONDS BEING OFFERED—Additional Bonds”, on the basis of the assumptions described in this Part 6 and reflected in the above coverage table. The Corporation estimates that if such principal amount of bonds is issued, the total annual debt service on Second Resolution Bonds will increase to approximately $500 million in the late 1980's and early 1990's, assuming for purposes of this calculation that such bonds are issued at rates comparable to current market rates.

In addition to the aggregate debt service payments with respect to the First Resolution Bonds shown in the above table, the Corporation is required to make deposits into the Capital Reserve Fund established pursuant to the First General Bond Resolution. The required deposit into the Capital Reserve Fund for calendar 1979 will have been provided from the proceeds of the 1978 Private Series Bonds. The deposit for the 1980 calendar year is estimated by the Corporation to be approximately $ million. The Corporation at present intends to provide for such deposit from the proceeds of the sale of additional bonds.

PART 7—BONDS BEING OFFERED

Description of the Bonds

General

The 1978 Series 10 Bonds will be issued pursuant to the Second General Bond Resolution and the 1978 Series 10 Resolution. The 1978 Series 10 Bonds will be dated November 15, 1978 and will mature on July 1, 2008.

The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon bonds and fully registered bonds will be interchangeable. The 1978 Series 10 Bonds will be registrable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the 1978 Series 10 Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new 1978 Series 10 Bond issued upon such exchange or transfer and any other expenses of the Corporation or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) will be paid by the Corporation as operating expenses.

Pursuant to the Act, the 1978 Series 10 Bonds include the 1978 State Covenant to the effect that the State will not take certain actions, including any action that will substantially impair the authority of the Control Board to act in specified respects with regard to the City. See “PART 12—AGREEMENT OF THE STATE OF NEW YORK.”
Optional Redemption

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot (by maturity as selected by the Corporation and by lot within a maturity, provided, however, that 1978 Series 10 Bonds redeemed in part pursuant to a refunding shall be redeemed so that the highest interest rates shall be first redeemed) on any interest payment date or dates, at the following redemption prices (expressed as percentages of the principal amount), plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 19</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 and thereafter</td>
<td></td>
</tr>
</tbody>
</table>

Sinking Fund Redemption

The 1978 Series 10 Bonds are also subject to redemption, in part by lot, 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 year, the principal amount of such 1978 Series 10 Bonds specified for each of the years shown below:

**Sinking Fund Installments**
   (Dollars in thousands)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$8,275</td>
</tr>
<tr>
<td>2000</td>
<td>9,010</td>
</tr>
<tr>
<td>2001</td>
<td>9,810</td>
</tr>
<tr>
<td>2002</td>
<td>10,680</td>
</tr>
<tr>
<td>2003</td>
<td>11,630</td>
</tr>
<tr>
<td>2004</td>
<td>12,660</td>
</tr>
<tr>
<td>2005</td>
<td>13,785</td>
</tr>
<tr>
<td>2006</td>
<td>15,010</td>
</tr>
<tr>
<td>2007</td>
<td>16,345</td>
</tr>
<tr>
<td>2008</td>
<td>17,795*</td>
</tr>
</tbody>
</table>

* Payment at maturity.

Giving effect to the Sinking Fund redemptions set forth above, the average life of the 1978 Series 10 Bonds would be approximately 25 3/4 years calculated from November 15, 1978.

The Corporation may from time to time direct the Trustee to purchase with moneys in the Corporation’s Bond Service Fund, 1978 Series 10 Bonds at or below par plus unpaid interest accrued to the date of such purchase, and apply any 1978 Series 10 Bonds so purchased as a credit, at par, against and in fulfillment of a required Sinking Fund Installment on such 1978 Series 10 Bonds. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Bond Service Fund.” To the extent the Corporation fulfills its sinking fund obligations in a particular year through such purchases, the likelihood of redemption by lot of any bondholder’s 1978 Series 10 Bonds through the operation of the sinking fund will be reduced for such year. The Corporation has in the past made such purchases with respect to certain series of its Second Resolution Bonds and may in the future do so with respect to the 1978 Series 10 Bonds.
Trustee

United States Trust Company of New York is the Trustee under the Second General Bond Resolution. Its corporate trust office is located at 130 John Street, New York, New York 10038. For further information concerning the Trustee, see “Part 16—Trustee.”

Additional Bonds and Notes

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City’s seasonal borrowing requirements), which amount was increased in June 1978 by the State Legislature from $5.8 billion. After the issuance of the 1978 Series 10 Bonds and the issuance of the 1978 Private Series Bonds pursuant to the Financing Agreement, the Corporation will have outstanding an aggregate $5.632 billion (exclusive of bonds that have been refunded), see “Part 3—Outstanding Debt of the Corporation.”

Additional bonds may be issued under the Second General Bond Resolution on a parity with the 1978 Series 10 Bonds, provided that (a) the amount equal to the lesser of (i) the most recent collections of the Sales Tax and Stock Transfer Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amounts estimated to be collectible during the succeeding 12-month period from such sources as estimated by the State Commissioner of Taxation and Finance, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore 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 (c) 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 (d) estimated operating expenses of the Corporation for its then current fiscal year, is at least 2 times (e) the aggregate amount of the principal, including Sinking Fund Installments, and interest maturing or otherwise becoming due in the then current or any future fiscal year on all Second Resolution Bonds (including the particular series of such additional bonds then proposed to be issued). Although the Second General Bond Resolution provides for a 1.2 times coverage test on the basis described above, the 1978 Series 10 Resolution and certain other resolutions of the Corporation provide for a 2 times coverage test for such Bonds on such basis.

For so long as any 1978 Series 10 Bonds or certain other bonds of the Corporation remain outstanding, the Corporation may issue additional obligations under the First General Bond Resolution only to the extent that the issuance thereof would not cause the aggregate amount of interest and principal (including Sinking Fund Installments due thereon), maturing or otherwise coming due in any fiscal year of the Corporation on outstanding First Resolution Bonds and Notes and the interest on all Other Obligations (each such term as defined in the First General Bond Resolution) coming due in any fiscal year to equal or exceed $425 million (with certain adjustments with respect to up to $2.5 million of small denomination Notes that the Corporation may offer to the public under the First General Bond Resolution). In addition, the Corporation may issue additional First Resolution Bonds, Notes or Other Obligations under the First General Bond Resolution only if the following conditions imposed by such Resolution are met:

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

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation's bonds and notes outstanding at any one time under the First and Second General Bond Resolutions shall not exceed $8.8 billion. The Corporation has further agreed not to issue bonds other than pursuant to the First or Second General Bond Resolutions unless (i) the proceeds are used to purchase bonds of the City which have an investment grade rating and (ii) the City's operating budget for the fiscal year prior to the year of issuance shall have been balanced in accordance with GAAP. At June 30, 1982, when the Corporation's statutory authority to issue obligations, other than refunding obligations, expires, assuming the completion of all issuances of the Corporation's Bonds contemplated by the Debt Issuance Plan (other than in lieu of the public issuance of unguaranteed City bonds) the Corporation would have outstanding approximately $6.9 billion of bonds. The Act currently prohibits the Corporation from issuing bonds (except for refunding bonds) other than pursuant to the First and Second General Bond Resolutions. The Corporation has also agreed with the purchasers of the 1978 Private Series Bonds, that while the Financing Agreement is in effect, and unless such provision is waived or amended, it will not issue, renew, or refund short-term notes unless payment of principal of and interest on such notes is subordinated to payments required to be made under the First and Second General Bond Resolutions. The Corporation has agreed not to issue short-term notes or Second Resolution Bonds unless such notes and bonds are protected by a two-times coverage test applicable to the maximum annual debt service on such notes and bonds. The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its bonds may be limited, as described in "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement." These covenants of the Corporation contained in the Financing Agreement may be waived, or modified with the consent of, Financial Institutions and City Pension Funds holding specified percentages of bonds purchased by them pursuant to the Financing Agreements. Furthermore, the covenants are of no further force and effect after neither the Financial Institutions nor the City Pension Funds any longer hold at least 10% of such bonds purchased by them.

The Second General Bond Resolution contains further limitations upon the issuance by the Corporation of additional obligations under the First General Bond Resolution, see "PART 14—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION."

Under the Act and the Second General Bond Resolution, collections attributable to the now expired surcharge on the Stock Transfer Tax may be includable in determining the amount of additional Second Resolution Bonds which may be issued pursuant to Section 202 of the Second General Bond Resolution. The Corporation has no intention of including in the calculations of debt service coverage, for the purposes of the issuance test described in paragraphs 1 and 2 above, any tax collections (including the 25% surcharge on the Stock Transfer Tax) attributable to any periods after the date on which such taxes are scheduled to expire pursuant to legislation in effect at the time of such calculation.

PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although the 1978 Series 10 Bonds are not obligations of the State, financial developments with respect to the State may affect the market or market prices for and sources of payment of the 1978
Series 10 Bonds. As described under "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS", the revenues of the Corporation that are pledged to payment of debt service on the Second Resolution Bonds derive from Per Capita Aid and in certain circumstances the Sales Tax and the Stock Transfer Tax. The payment of these revenues to the Corporation is subject to appropriation by the State Legislature. The State Legislature has made appropriations to the Corporation for each of the State's fiscal years since 1976, including appropriations for the State's current fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. It is possible that the willingness of the State Legislature to make such appropriations may in the future be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City. Such willingness might also be adversely affected if the Secretary of the Treasury of the United States of America (the "Secretary") withheld payments to the State as an offset against any claim the Secretary might have against the City or State pursuant to the Federal Guarantee Act. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act."

The factors affecting the State's financial condition are complex, and the following description constitutes only a brief summary. This PART 8 is based entirely on information supplied by the State.

**Long-Term Trends**

The State and the City face serious potential long-term economic problems. The City accounts for approximately 40% of the State's population and personal income, and the City's financial health affects the State in numerous ways.

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

Certain manufacturing facilities have recently relocated to other states. This trend has been partially offset by the location of some new manufacturing facilities in the State and by the expansion of existing facilities in the State. Some corporate headquarters have also moved from New York City to locations outside the State.

Part of the reason for the long-term relative decline in the State economy has been attributed to the combined State and local tax burden, which is the highest in the 48 contiguous States. The existence of this tax burden limits the State's ability to impose higher taxes in the event of future financial difficulties.

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

The growing burdens of State and local taxation, in combination with the many other causes of regional economic dislocation, may have contributed to the decisions of businesses and individuals to relocate outside, or not locate within the State. In order to bring about a reversal of these trends, the State has begun a series of tax reductions and other programs that are intended both to limit expansion in the public sector and encourage expansion in the private sector. No immediate reversal of the erosion of the State's economic position relative to the nation as a whole has been projected, but the State anticipates that actions taken thus far will help to reverse or at least slow this trend over time.

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

During the last several years, some of the State's public benefit corporations ("Authorities") and municipalities (in particular, the City) have faced extraordinary financial difficulties, which have
affected the State’s own financial condition. These events, which included a default, since cured, on short-term notes issued by the Urban Development Corporation ("UDC") and a continuation of the financial difficulties of the City, created substantial investor resistance to securities issued by the State and by some of its municipalities and Authorities. For a time, in late 1975 and early 1976, these difficulties resulted in a virtual closing of public markets for State and many State-related securities.

The State’s fiscal year ending March 31, 1976 showed a deficit of $447 million, which was financed by transferring $65 million from reserve funds and by issuing $382 million of tax anticipation notes which were paid early in the State's succeeding fiscal year.

Events During Fiscal Years 1977 and 1978

In response to the financial problems confronting it, the State developed and implemented programs for its fiscal year ended March 31, 1977 that included (i) the adoption of a balanced budget for the fiscal year (a deficit of $92 million that actually resulted was financed by issuing notes that were paid on June 14, 1977), (ii) a borrowing plan that provided for the State’s estimated borrowing needs of $4.53 billion for its 1977 fiscal year, (iii) a plan (the “Authority Build-Out Plan”) to meet the borrowing requirements through September 30, 1978 of four financially troubled Authorities (the “Build-Out Authorities”) and (iv) provisions for appropriations to certain Authorities as part of a program to complete projects under construction and that avoided defaults on outstanding obligations. In addition, legislation was enacted limiting the incurrence of additional so-called “moral obligation” and certain other Authority debt, which limitation does not, however, apply to debt of the Corporation.

The fiscal year ended March 31, 1978 saw an improvement in the financial condition of the State, its Authorities and municipalities generally, although certain municipalities (including the City) and certain Authorities continued to face financial difficulties. The State adopted and adhered to a balanced budget. Actual receipts were $11.181 billion and actual expenditures were $11.177 billion. The State also adopted and implemented a $4.96 billion borrowing plan. Nearly all of the capital financing and all of the seasonal financing were made through sales to the public at interest rates substantially lower than those that applied in the preceding fiscal year.

The State continued to provide substantial financial and budgetary assistance to the City and other localities during its 1978 fiscal year. The State again advanced $800 million in local assistance payments to the City, increased the level of State support for the City University of New York, assumed a greater share of county and city court costs, and provided additional financial assistance to counties outside the City and to the State’s five largest cities other than New York City to alleviate local tax burdens.

Potential Problems In Current And Subsequent Fiscal Years

Program For The 1979 Fiscal Year

As revised on October 5, 1978, the State Financial Plan for its fiscal year ending March 31, 1979, provides for receipts which exceed expenditures, with receipts of $12.436 billion and expenditures of $11.825 billion. Projected State receipts are approximately $400 million higher now than previously projected in the State Financial Plan of April 4, 1978 because (i) greater than anticipated improvements in the State economy are expected to generate approximately $150 million in additional receipts and (ii) actual timing and method of implementation of the personal income tax reduction program differed somewhat from the assumptions used originally and such differences are expected to result in approximately $250 million of additional receipts. The State expects to pay as much as possible of the $600 million difference between receipts and expenditures as personal income tax refunds on 1978 income year returns during the final quarter of its fiscal year.

The State Financial Plan for the 1979 fiscal year assumes a continuation of the modest recovery experienced by the State’s economy in the State’s 1978 fiscal year but does not assume a reversal during the State’s 1979 fiscal year of the erosion in recent years of the State’s economic position relative to the national economy. Although the use of certain non-recurring receipts and the virtual exhaustion of
reserve funds to cover deficits in prior fiscal years have diminished the State's financial options in the event receipts are less, or expenditures are more, than those projected in the State Financial Plans, the State has informed the Corporation that the excess of receipts over expenditures presently forecast for the State's 1979 fiscal year, to the extent not used to pay personal income tax refunds, would appear sufficient to meet any reasonably foreseeable adverse contingency.

The State originally provided for implementation of a $4.24 billion borrowing plan for the fiscal year ending March 31, 1979. It is now anticipated that actual requirements will be approximately $80 million less, reflecting a decline in capital expenditures. The State also provided for adoption of a new borrowing plan for the Build-Out Authorities ("Build-Out Plan II") which was implemented when the Authority Build-Out Plan expired on September 30, 1978. Under Build-Out Plan II, $1.2 billion of financing, primarily short-term, is to be provided to the Build-Out Authorities to meet their financing requirements through September 30, 1980. As of October 2, 1978, the State estimated that approximately $616 million of financing would be required for the Build-Out Authorities prior to March 31, 1979. Approximately $495 million of such amount represents bond anticipation notes of the Build-Out Authorities for which commitments have been received from private and State related sources. The remaining $121 million is expected to be provided by the sale of bonds or bond anticipation notes of Build-Out Authorities to State related sources or to other buyers through public or private sales. A substantial portion of the financing for certain programs provided under Build-Out Plan II may, as currently contemplated, be represented by bond anticipation notes when Build-Out Plan II ends on September 30, 1980. If the Build-Out Authorities are then unable to renew such bond anticipation notes or sell bonds in the public market, other actions will be necessary to meet payments for maturing notes and construction payments.

The State has informed the Corporation that neither the State nor any Authority having the benefit of a "moral obligation" provision is in default in the payment of the principal of or interest on any bond, note or other evidence of indebtedness constituting a general obligation of the State or such Authority.

Problems of Authorities

The fiscal stability of the State is related, at least in part, to the fiscal stability of the Authorities. Various Authorities have issued bonds secured, in part, by statutory provisions for non-binding State appropriations to maintain various debt service reserve funds established for such bonds (commonly referred to as the "moral obligation" provision). Several Authorities, including some of those that have reentered the public securities market, still face potentially serious problems, particularly in their housing programs.

Among the more important problems of the Authorities are those related to Co-op City, a tenant cooperative on which an Authority, the New York State Housing Finance Agency ("HFA"), holds a $390 million mortgage financed under its non-profit housing program. Co-op City has faced financial difficulties for over three years growing out of a tenants' rent strike in opposition to higher rents. The financial condition of Co-op City, and, therefore, the financial condition of the non-profit housing program of HFA, remain uncertain at this date.

An agreement, which runs from August 1, 1977, through October 31, 1979, provides for increases in rent and co-operators' equity investments, discontinuance of a foreclosure action against the co-operators, resumption of mortgage payments to HFA (other than the June 1977 payment which is not addressed by the agreement), introduction by the Governor of legislation for a comprehensive program for certain state-aided housing (which legislation has not been enacted), and other matters.

In September and October 1978, Co-op City failed to make payments of $679,000 and $554,000, respectively, of the approximately $2.3 million monthly mortgage payment due to the HFA in each of those months. In November 1978, Jamie Towers, another non-profit housing project on which the HFA holds a $12.3 million mortgage, failed to pay $174,000 of a $428,000 semi-annual mortgage payment then due. The HFA is presently considering procedures for the collection of such mortgage arrearages. On November 1, 1978, as a result of such mortgage repayment arrearages and arrearages arising out of
the 1977 Co-op City agreement and a June 1977 mortgage payment not addressed by the 1977 agreement, HFA made a withdrawal from its non-profit housing debt service reserve funds in the amount of $4.6 million to pay required debt service. To the extent that moneys received from tenants and other sources are insufficient to cover such withdrawal or further withdrawals that may be made from the non-profit housing debt service reserve funds to pay required debt service, the State will be called upon to make appropriations, possibly substantial in amount, pursuant to the statute authorizing the HFA bonds (i.e., the "moral obligation" provision). The State Financial Plan contains provision for an amount sufficient to reimburse the non-profit housing debt service reserve fund for the recent withdrawals.

Co-op City is also the subject of various litigations. New York City has instituted a foreclosure action to collect real property taxes in arrears, which the City alleges aggregate $23 million and for which no provision for payment has been made in the current agreement. A number of Co-op City residents have commenced an action challenging the legality of the increased cooperators' equity investment that is part of the agreement. HFA and others are also involved in litigation in which certain residents and former residents of Co-op City allege fraud, breach of fiduciary duty and other violations of law regarding their contractual relations with the mortgagor under the Co-op City mortgage and seek various remedies, including damages of $233 million. The tenant-owned corporation that manages Co-op City has brought a cross-claim against HFA and others seeking $200 million in damages on the allegation that inadequate supervision of construction by State agencies will result in the need for remedial construction. HFA and the State Division of Community Housing and Renewal have entered a denial of the allegations in such cross-claim.

An engineering study was commissioned by the State to determine the nature, extent and cause of certain site conditions at Co-op City. The study was released on June 16, 1978 and the Co-op City tenants estimated that $55 million to $75 million would be needed to remedy certain defects. The State and HFA are currently reviewing the study.

The State cannot at this time determine the effect these factors may have on the agreement with Co-op City tenants or the extent to which that agreement may be carried out, nor can it determine the ultimate effect that the Co-op City settlement arrangements may have on other similar housing programs or on the ability to meet debt service payments on obligations issued to finance such housing programs.

In 1975, UDC, a major Authority, defaulted on certain of its short term notes, which default was cured as a result of various actions by the State and others. The State projects a continuing requirement to provide assistance to UDC. Based on current projections, UDC will require State appropriations totalling $170 million through the State's 1988 fiscal year (ranging from a low of $9 million in 1979 to a high of $25 million in 1984), to meet its requirements. Failure to make such appropriations would result in a default on $1.1 billion of UDC obligations. A default by UDC could interrupt the flow of Federal revenues and other income needed to operate projects originally built by UDC and now securing the obligations of the New York State Project Finance Agency ("PFA"), another Authority, and could lead to a default by PFA. Federal subsidy payments provide a substantial portion of the money needed for debt service on these obligations, and failure to meet certain Federal requirements could jeopardize these subsidies.

The Battery Park City Authority ("BPCA") has issued $200 million of "moral obligation" project bonds for the development of the landfill and infrastructure for a residential and commercial project in New York City. BPCA, as of April 30, 1978, had spent approximately $76.8 million of that amount on site acquisition, preparation and administration and, as of May 1, 1978, had paid an additional $73.7 million of that amount in debt service on outstanding bonds. The proceeds from such bond sale together with income derived from the investment of such proceeds, if not expended on construction, are estimated to be sufficient to meet administration costs and debt service on BPCA bonds only until 1984, at which time $192 million of BPCA bonds will still be outstanding. Although financing has not yet been obtained for construction of revenue producing facilities that would enable BPCA to meet its obligations on the bonds, BPCA anticipates the issuance of $80 million of housing bonds secured in part by a mortgage insured by HUD in an amount up to $68.5 million, which bonds would not be backed by the "moral
obligation" of the State. The proceeds from the bond offering would be used to develop part of the residential portion of the overall project. Even if such financing is obtained and the anticipated development is successful, BPCA will require the development of additional revenue producing facilities, costing in excess of an estimated $1 billion, to enable it to meet its obligations on the project bonds originally issued. If sufficient additional revenue producing facilities are not developed, it is likely that the State will be requested to make payments on the project bonds pursuant to the "moral obligation" provisions of the legislation governing the issuance of BPCA bonds.

Among other problems generally faced by Authorities, future increases in operating costs and interest rates may result in a need for increased rents, fees or user charges in Authority-financed projects, particularly residential housing projects and medical care facilities. Inability or unwillingness to pass increased costs on to residents or users of such projects would adversely affect the fiscal stability of the Authorities, and possibly cause the State to be requested to make appropriations to support such projects. There is no assurance, however, that the Legislature would make such appropriations.

**Litigation**

Various litigations are pending that may, if decided adversely to the State or the localities involved, adversely affect the State. Among the more significant of these litigations are those that challenge: (i) the constitutionality of an agreement among the State, the County of Albany and the City of Albany for construction and financing by the County for long-term lease to the State of the Empire State Plaza in Albany, and by extension any similar arrangements to which the State is a party (as of September 30, 1978, obligations incurred for construction of facilities to be leased to the State by various public authorities and municipalities were outstanding in an aggregate of approximately $796 million for such municipalities and approximately $3,124 million for such authorities); (ii) the validity of approximately $74 million of State bond anticipation notes, issued in March 1976 to reimburse the State's General Fund for capital expenditures in prior fiscal years, of which amount approximately $53 million were issued for back-bonding purposes, and by extension the validity of an additional approximately $58 million in such debt issued during the 1977 fiscal year which would also be affected by the outcome of the litigation; (iii) the constitutionality of the present system of levying taxes and applying funds for public school purposes; (iv) the authority of the Director of the Budget to withhold or impound local assistance funds to control or avoid deficits; (v) the validity and fairness of agreements and treaties by which the Oneida Indians transferred title to the State to approximately six million acres of land in central New York; (vi) the inadequacy of supervision by certain State agencies over the construction of Co-op City, which failure will allegedly result in the expenditure of large sums of money for remedial construction and has resulted in claims of $200 million in damages by the tenant-owned corporation that manages Co-op City; (vii) the State's conduct in suppressing the 1971 Attica uprising; (viii) the valuation of a major utility company's franchises in 43 municipalities and the taxes based on such valuations; (ix) the fulfillment by the State of various obligations arising out of contracts entered into by the State's Department of Transportation; (x) the collection of unemployment insurance taxes under a State statute permitting the payment of unemployment insurance during strikes; and (xi) the methods and rates the State uses to make reimbursement for Medicaid services.

The present system of levying taxes and applying funds for public school purposes was ruled unconstitutional by the State Supreme Court (a trial court) in June 1978. The Legislature was afforded the opportunity to develop alternative financing plans. Pending development of such plans, the current system would be permitted to continue unless specifically enjoined. The State has announced that it intends to appeal the decision. It is extremely unlikely that there will be an effect on the State's tax structure, budget or economy during the 1979 fiscal year and the decision is unlikely to have a direct impact during the following year. However, unless the effects of the decision are modified by legislation, the decision would entail substantial additional State expenditure sometime in the future, which could affect the State tax structure, its budget and, possibly, its economy.

In the Spring of 1978, the State Court of Appeals (the State's highest court) held unconstitutional State legislation that authorized certain cities and city school districts with fewer than 125,000 persons
to, in effect, impose a special increase of real property tax rates in order to raise funds for pension contributions and for certain other uses, and also held unconstitutional a state tax on real property in such cities and school districts to be imposed in the event the Court of Appeals held unconstitutional the provision authorizing such increased local real property tax rates. Over $100 million annually was collected pursuant to rates in excess of the State constitutional limits in reliance on this legislation. Replacement of lost revenues has been provided in part through an increase in the assessed valuation of the real property in the affected localities. In addition, State loans aggregating up to $52 million have been authorized for certain school districts. These measures are expected to enable the affected cities and school districts to balance their budgets for their current fiscal years.

In May, 1978, the State Court of Appeals affirmed a decision requiring the State to include as local expenses eligible for partial State reimbursement certain fringe benefit costs incurred for certain health programs by Erie County during the third quarter of 1975. If the opinion were extended to include expenses of all counties retroactive to such quarters, the total State liability would approximate $50 million. The Supplemental Budget permits the State to deduct from any current aid payments to any county an amount equivalent to the amount paid to such county for such fringe benefit costs.

PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY

Although bonds of the Corporation are not obligations of the City, financial developments with respect to the City may affect the market or market prices for the Second Resolution Bonds, including the 1978 Series 10 Bonds. The Corporation believes that its ability to repay the Second Resolution Bonds is not dependent upon the financial condition of the City. However, economic and demographic conditions in the City may affect the levels of Sales Tax receipts and Per Capita Aid, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax" and "Per Capita Aid". During the time the Bonds are outstanding, the City will be the subject of reviews and reports by various agencies of Federal and State Government, see "PART 11—VARIOUS CONTROL PROGRAMS", and will publish annual audited financial statements.

This section describes the City's Four Year Financial Plan, the cash sources the City has identified to cover its cash needs through its 1982 fiscal year, major assumptions and uncertainties with respect to these matters, and some of the financial difficulties the City is expected to face during the Four Year Financial Plan period and subsequently.

As required by the Act, the City has submitted and the Control Board has approved a financial plan for the 1979 fiscal year (as modified and approved, the "1979 Financial Plan") in which it projects total revenues to equal or exceed total expenditures, after the adjustments permitted by the Act, as described below. The City has also prepared financial plans for the 1980-1982 fiscal years (together with the 1979 Financial Plan, as approved by the Control Board, the "Four Year Financial Plan"). These projections show potential operating budget deficits or budget gaps that the City proposes to close through a combination of Federal, State and City actions, many of which involve the passage of new legislation or adoption of new programs. There can be no assurance that projections of budget gaps will not increase or that such legislation and programs, or others which provide a comparable degree of assistance, will be enacted and adopted.

To meet the long-term and seasonal financing needs of the City during the period of the Four Year Financial Plan, the Debt Issuance Plan has been developed under which the Financial Institutions, City Pension Funds and State Pension Funds have agreed to make certain purchases of bonds of the Corporation and bonds and notes of the City. The Corporation and the City also plan to offer certain bonds and notes in the public markets. The Debt Issuance Plan is subject to a substantial number of conditions, among which are requirements that the City close the projected budget gaps to meet budgetary and financial requirements contained in State and Federal law, including the Act, and in the Guarantee Agreement, the Financing Agreement, and the Seasonal Agreement. Failure to meet
any of these conditions could adversely affect implementation of the Debt Issuance Plan. See “PART 2—FOUR YEAR DEBT ISSUANCE PLAN” and “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

It is an objective of the Four Year Financial Plan and the Debt Issuance Plan to enable the City to meet its financing needs after the 1982 fiscal year without reliance on continued financing assistance from the Federal government. The City and the Corporation currently expect this objective to be achieved if all the goals and requirements of such plans are met. Should this objective not be met, there is no assurance that the State or Federal government would continue programs similar to those relied on in the past and relied on as part of the Four Year Financial Plan and the Debt Issuance Plan, or develop new programs to provide budgetary and financing assistance to the City. See “Expiration of Plan,” in this Part 9.

The following description is only a brief summary of the complex factors affecting the City’s financial condition. This section is based entirely on information reported to the Corporation by the City, the Control Board, the Special Deputy State Comptroller, presented in the Three Year and Four Year Financial Plans, or contained in other reports and statements referred to herein.

**Financial Difficulties of 1975**

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

In response to this crisis, the State in June 1975 created the Corporation (1) to issue long-term bonds and other obligations to provide funds to pay maturing City short-term notes and to meet certain operating expenses of the City, and (2) to monitor compliance with a series of financial reforms on the part of the City described under “PART 11—VARIOUS CONTROL PROGRAMS.” In response to the City’s continuing financial difficulties and upon recommendation of the Corporation, the State Legislature, in September 1975, adopted the Emergency Act, which created the Control Board. See “PART 11—VARIOUS CONTROL PROGRAMS.” Among other State actions was an advance to the City at the end of the City’s 1975 fiscal year of $800 million of State assistance moneys due the City in the succeeding fiscal year (an action repeated in each of the next three fiscal years).

**Three Year Financial Plan: Fiscal Years 1976-1978**

After it lost access to the public credit markets, the City took a number of steps which were intended to enable it to balance its budget, and to regain access to the public credit markets. As required by the Emergency Act, these included accounting reforms and development of a three-year financial plan (the “Three Year Financial Plan”) to provide for a budget balanced in accordance with the Uniform System of Accounts for Municipalities, as modified for application to the City (the “Uniform System of Accounts, as adjusted”) by the 1978 fiscal year. As permitted by the Act, the Uniform System of Accounts, as adjusted, contains two major deviations from GAAP. It permits accounting for contributions to employee retirement systems on a cash basis rather than on an accrual basis, and it authorizes including certain expense items in the City’s capital budget in decreasing amounts during a phase-out period.

To provide short and long-term financing for the City, the City and the Federal government entered into an agreement (the “Federal Loan Agreement”), pursuant to Federal legislation, which provided the City with seasonal financing for three years, and the Corporation, the Commercial Banks and the City Pension Funds entered into an agreement to provide the City with long-term financing through June 30, 1978, through the sale of bonds of the City to the City Pension Funds, and through certain other
actions taken by the Commercial Banks and City Pension Funds. The Corporation also sold bonds in the public credit markets and paid the proceeds to the City, and exchanged certain of its bonds for outstanding short-term notes of the City. In addition, in November 1975, the State Legislature enacted the New York State Emergency Moratorium Act (the "Moratorium Act"), which suspended the rights of holders of short-term notes of the City to bring suit to enforce payment of such notes. In November 1976, the State Court of Appeals held the Moratorium Act unconstitutional. The $1.802 billion of short-term obligations affected by this decision were subsequently provided for, including $1.2 billion which were exchanged for Second Resolution Bonds.

To improve its accounting practices and to facilitate an audit of the City’s financial statements, the City undertook the design and implementation of the integrated financial management system ("IFMS") to eliminate the fragmented set of systems and data processing facilities that had developed and to substitute in their place a single unified financial system. The City has reported that most elements of IFMS (including the recording of City expenditures and revenues) were implemented on June 30, 1977, are performing smoothly, and have provided the information necessary to perform the audit. Additional elements relating to payrolls and not necessary for the performance of the audit have been added to IFMS since June 30, 1977. It may be some time before these elements are operating in a satisfactory manner.

When the Three Year Financial Plan was first submitted to the Control Board for approval, it projected budget gaps in accordance with the Uniform System of Accounts, as adjusted, of approximately $1 billion, $600 million, and $700 million in the 1976, 1977, and 1978 fiscal years, respectively. To reduce the 1976 and 1977 gaps and close the 1978 gap the City took action to reduce the number of its employees, entered into labor contracts with its municipal labor unions consistent with the assumptions contained in the Three Year Financial Plan and with the wage guidelines adopted by the Control Board, increased the transit fare, and began charging general tuition at the City University of New York. In addition, the City received additional State and Federal revenues not projected in its initial Three Year Financial Plan submission. The results under the Three Year Financial Plan reported by the City Comptroller in accordance with the Uniform System of Accounts, as adjusted, were operating deficits of $968 million for the 1976 fiscal year and $329 million for the 1977 fiscal year. If the deficits in the City’s operating budget were reported in accordance with GAAP, the City Comptroller has estimated that the effect would be to increase the reported deficits for the 1976 and 1977 fiscal years to approximately $1.870 billion and $1.039 billion, respectively.

The City’s 1978 financial statements were audited by a consortium of accounting firms headed by Peat, Marwick, Mitchell & Co. The statements report results in accordance with the Uniform System of Accounts, as adjusted, as well as results reported in accordance with GAAP. Under the Uniform System of Accounts, as adjusted, the General Fund shows a surplus of $32 million; the General Fund deficit, when reported in accordance with GAAP, was $712 million.

The opinion of Peat, Marwick, Mitchell & Co. states that the City does not maintain complete records of its general fixed assets and that therefore a Statement of General Fixed Assets was not presented as required by GAAP. The opinion also states that the City’s ability to obtain financing and balance its budget in accordance with GAAP within four years depends on assumptions and events which cannot be assured. The opinion also states that pending real estate tax certiorari proceedings, if decided adversely to the City, could have a substantial financial impact on the City for which no provision has been made. See “Litigation” in this Part 9. The opinion concluded that “subject to the effects, if any, on the financial statements of the ultimate resolution of the real estate tax issue” the financial statements present fairly the financial position and results of operations for the City’s various funds in accordance with GAAP. A management letter, which may suggest changes in the City’s reporting and accounting practices, is expected to be provided to the City at a later date.

The City planned to re-enter the public credit markets through an underwritten offering of its revenue anticipation notes in November 1977 to meet a portion of its seasonal financing needs. However, Moody’s Investors Service Inc. gave the notes a Moody’s Investment Grade (“MIG”)-4 rating.
Loans bearing a MIG-4 rating are deemed by Moody's to be of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative. This rating was lower than anticipated, and the City, based on advice from its underwriters, cancelled the note offering and met all of its seasonal financial needs for the balance of the 1978 fiscal year through borrowing under the Federal Loan Agreement.

Four Year Financial Plan: Fiscal Years 1979-1982

Although the City accomplished the budgetary and accounting objectives of the Three Year Financial Plan, it did not regain access to the public credit markets. The agreements providing for Federal seasonal loans and for the sale of bonds of the City to the City Pension Funds, were to expire on June 30, 1978, the Control Board was to terminate within a few months of that date if it determined that the City's fiscal 1978 budget had been balanced as required and the Corporation had almost reached the limit of its issuance authority. The City, the Corporation, the Control Board and others, therefore, proposed a combination of actions intended to provide for the City's seasonal and long-term financing through the 1982 fiscal year and to enable the City to reenter the public credit markets, including development of the Debt Issuance Plan and the Four Year Financial Plan, extension of the Control Board, an increase in the Corporation's debt issuance authority, elimination of the State advance, and reduction of the City's seasonal financing requirements. The State and Federal legislation necessary to this program have been enacted and the agreement necessary to implement the Debt Issuance Plan will be signed on November 2, 1978. See "PART 10—Legislation and Agreements Relating to the Debt Issuance Plan" and "PART 11—Various Control Programs—Control Board."

Under the Act and the Emergency Act, for the fiscal years 1979 through 1981, the City's operating budget is to be balanced in accordance with the Uniform System of Accounts, as adjusted, and to show substantial progress in each year toward a budget balanced in accordance with GAAP. For the fiscal year 1982 and thereafter, the City is required to adopt an operating budget balanced in accordance with GAAP.

Pursuant to the Emergency Act, the City is also required to develop before the beginning of each fiscal year a financial plan for the next four fiscal years. On November 9, 1978, the Control Board approved the Four Year Financial Plan for the City for fiscal years 1979 through 1982, including a modification to the 1979 Financial Plan. The Control Board also approved 1979 Financial Plans for agencies not under the direct control of the mayor but subject to Control Board review (the "covered organizations") and directed the City to submit financial plans for the covered organizations for fiscal years 1980 to 1982 by November 22, 1978.

The Four Year Financial Plan projects for fiscal year 1979 an operating budget balanced in accordance with the Uniform System of Accounts, as adjusted. For the fiscal years 1980 and 1981, the Four Year Financial Plan estimates budget gaps of $439 million and $879 million, respectively, determined in accordance with the Uniform System of Accounts, as adjusted, and in fiscal year 1982, a budget gap of $1,028 million, determined in accordance with GAAP. The City anticipates closing these budget gaps by a combination of City, State and Federal actions.

The estimates in the Four Year Financial Plan are based on past revenues received and expenditures incurred, as well as analyses of economic trends and the status of legislation affecting the City's finances. Although the City believes that its estimates are reasonable, budgetary projections are inherently uncertain of attainment and subject to continuing change and reevaluation, especially when they extend over several years and are heavily dependent upon non-controllable events and the City has explicitly disclaimed any representation or warranty that such estimates will be realized. Material changes were made in the City's estimates of various revenues, expenses and cash flow during the term of the Three Year Financial Plan, and similar changes have been made and are to be expected during the term of the Four Year Financial Plan.

The Four Year Financial Plan is based on numerous assumptions that could, if not realized, result in material increases in the projected levels of expenditure or material decreases in the projected levels.
of revenue. Unless offset by other changes, any such adverse effects would cause, or increase, a budget gap, which would require the development or utilization of appropriate responses in order to provide for operating budgets balanced in accordance with applicable standards.

The City's ability to achieve a balanced budget in any fiscal year is further affected by policies established by the State and Federal governments, such as eligibility requirements for CETA, welfare, Medicaid, civil rights and environmental protection regulation and other mandated costs and practices. Furthermore, even if estimated budget gaps do not increase above the levels projected in the Four Year Financial Plan, many of the City's proposals to close the estimated budget gaps require Federal or State legislation or administrative action. Timely adoption and implementation of any particular proposals, or of any combination of proposals or alternatives that have the necessary cumulative effect, must be considered uncertain. To the extent that these measures prove to be unavailable or do not provide increased revenues, the City may be required to tighten controls on expenditures to an extent greater than anticipated.

1979 Financial Plan

The 1979 Financial Plan projects a budget balanced in accordance with the Uniform System of Accounts, as adjusted. To offset a decline in projected Federal revenues since the plan was first approved, the plan, as modified November 9, 1978, implements a selective hiring and promotion freeze announced by the Mayor on September 15, 1978 projected to produce a 2.7% decline in the number of City funded employees at the end of the 1979 fiscal year compared to the start of the fiscal year. The modification also revised certain revenue estimates and provided for implementation of a number of management improvement actions to offset $63 million of potential expenditure increases and revenue shortfalls identified by the Control Board. The Control Board identified additional potential shortfalls of $120 million, including an $80 million revenue shortfall if the purchase by the State from the City of title to land for building the Westway highway project does not occur. The Control Board also identified $50 million in potential additional revenue sources and $12 million of potential City actions which, together with the unearmarked $100 million general reserve, were considered sufficient to permit approval of the modification.

Fiscal Years 1980-1982

The Four Year Financial Plan was developed by projecting revenues and expenditures from existing sources and for existing programs. To the extent that projected revenues are insufficient to provide for a budget balanced as required under the Act, the City has identified "budget gaps" in future years, which it anticipates closing by a combination of Federal, State and City actions. The City projects budget gaps of $439 million in the fiscal year 1980, $879 million in fiscal year 1981, and $1,028 million in fiscal year 1982. The Control Board Staff Report on the Four Year Financial Plan dated November 7, 1978 (the "Control Board Staff Report") concluded that, assuming a moderate increase in State and Federal aid, the plan provided a reasonable basis for assuming that the City will achieve a balanced budget under GAAP by fiscal year 1982. It stated, however, that it will be very difficult to implement programs to reduce the budget gaps without a serious impact on City services and that service reductions could affect economic development efforts and ultimately the City's revenue base.

To close the 1980 gap of $439 million, the City plans to take actions yielding $139 million in expenditure reductions or revenue increases and proposes that the State and Federal governments provide $300 million of additional assistance. For fiscal years 1981 and 1982 the proposed City contributions toward closing the gaps are $303 million and $427 million, respectively, and the State and Federal contributions proposed by the City are $576 million in 1981 and $601 million in 1982.
Planned City actions in 1980, 1981 and 1982 include attrition at the rate of 4% in each year, resulting in savings projected at $67 million, $172 million and $273 million, respectively, assuming wage costs in fiscal years 1981 and 1982 at the 1980 level. The Mayor has stated his intention to present to the Control Board in December 1978 a detailed workforce reduction program by agency and program to accomplish the attrition planned for 1980. He further stated that the City will consider hospital closings by HHC, may seek cooperation of the State to close excess beds in voluntary hospitals, and may propose to eliminate or reduce other programs and services. Additional planned management improvement and cost containment programs have been specified for 1980 and will be developed, if necessary, for the 1981 and 1982 fiscal years.

A variety of possible State and Federal actions have been proposed by the City and others which, if all were enacted and implemented, could provide the City with more than $1.4 billion in additional annual revenues. The amounts of the budget gaps proposed to be closed by such actions in fiscal years 1980, 1981 and 1982 are $300 million, $576 million and $601 million, respectively. It is unlikely that all of these proposals will be implemented during the period of the Four Year Financial Plan and there can be no assurance that enough of these actions, or others, will occur to provide the funds necessary to close these gaps.

The requirement that the City prepare a Four Year Financial Plan causes it to do advance detailed financial planning. The City must project its revenues from the State and Federal Governments before those governments have planned their expenditures for future years. During the period of the Three Year Financial Plan, the City projected that budget gaps comparable to those now projected would be closed by City actions and receipt of State and Federal revenues from programs not yet then enacted. The City was sufficiently successful in its own cost-saving and revenue-generating programs during that period and received sufficient State and Federal assistance to reduce its deficits under the Uniform System of Accounts, as adjusted, below the initially projected levels in its 1976 and 1977 fiscal years, and to report no deficit for fiscal 1978.

Notwithstanding the increases in State and Federal aid since 1975, the receipt of further large increases in Federal and State aid to close budget gaps must be regarded as uncertain.

The Special Deputy State Comptroller for New York City (the "Special Deputy State Comptroller") in reports dated September 29, 1978 and November 3, 1978 expressed uncertainty with respect to particular State and Federal actions proposed by the City and with respect to the projections of aggregate amounts to be provided by State and Federal actions to close the projected budget gaps. He estimated that, after taking into account increases in State and Federal revenues included in the City's revenue estimates, the increase in State and Federal aid from fiscal year 1980 to fiscal year 1982 necessary to close the projected gaps would exceed the growth in State and Federal assistance received by the City during the period from fiscal year 1977 to 1979. The reports concluded that because of the constraints on the ability of the State to increase its level of support to local governments, and the move toward a balanced Federal budget, the opportunities for increased assistance have been limited and the City's assumption regarding growth of Federal and State aid must be regarded as uncertain. The Control Board Staff Report also expresses the judgment that the City will not attain its maximum projection of increased Federal and State aid although the report indicates that it is not unreasonable for the City to expect some additional assistance.

At the request of the Control Board, the City has developed a supplemental program of City actions to reduce the budget gap, in the event of a shortfall in State and Federal assistance from the desired level. This supplemental program includes a 6% attrition program, various expenditure reductions, and potential increased revenues from local sources.

A second supplemental program of extraordinary additional City actions has been developed to reduce the budget gap still further. This program would require 8% attrition, the termination of half of all CETA employees partially funded by the City and either reductions in pay to all workers or layoffs.
After implementation of both these supplemental programs, the State and Federal actions projected as necessary to close the remaining budget gaps are $189 million, $201 million and $119 million in fiscal years 1980, 1981 and 1982, respectively.

The Control Board and the Special Deputy State Comptroller have reviewed the proposed City actions to evaluate whether they are achievable and what their impact will be. Their initial findings indicate that portions of the City program appear attainable, others are less likely of implementation without having an adverse effect on City operations and service delivery, and significant portions of the programs cannot be evaluated properly without further documentation. Both the Control Board and the Special Deputy Comptroller have requested the City to provide additional information with regard to the cost containment programs.

Reviewing the City’s proposals, the Control Board Staff Report and the Special Deputy State Comptroller indicate that the City faces substantial difficulties in balancing its operating budgets during the Four Year Financial Plan and thereafter. For example, many actions to reduce expenditures were taken during the period of the Three Year Financial Plan; it will be more difficult to make further reductions in expenditures or to limit their growth during the period of the Four Year Financial Plan. Collections of real estate taxes may be reduced as a result of a State Court of Appeals decision and recent legislation that require all real property to be assessed at 100% of full value by January 1, 1981. Such assessment would cause substantial shifts in real property tax burdens—greatly increasing taxes on one and two family homes—and should the City choose to mitigate those effects, substantial revenue losses could result. See “Litigation” in this PART 9. The Four Year Financial Plan assumes no increase in wage rates or benefits payable in contracts to be negotiated in 1980, and the Special Deputy State Comptroller has expressed reservations about the City’s failure to make additional provisions for labor settlements in the 1981 and 1982 fiscal years. The City also assumes that its costs for other-than-personal-services will increase at a rate less than the rate of inflation. City contributions to the Health and Hospitals Corporation (“HHC”) and other covered organizations may exceed amounts provided in the Four Year Financial Plan, which provides for only limited increases in the subsidies to each organizaton; in the past, when the need for increased subsidies has arisen, the City has provided the necessary funds.

Efforts to increase revenues through higher taxes may be counterproductive; substantial resistance by labor groups to personnel reductions can be expected, and reductions in services may cause relations with various community groups to deteriorate. To the extent that the anticipated State and Federal actions to close projected budget gaps are not taken, additional City actions, including further expenditure reductions will be necessary.

There can be no assurance that the City will be able successfully to carry out the actions it proposes to take to balance its operating budget as required or develop and implement alternative actions, although the Mayor has stated his commitment to do so.

Cash Sources

The City projects meeting its net cash needs during the period of the Four Year Financial Plan from Federal and State aid, seasonal borrowings, the sale of Guaranteed City Bonds issued pursuant to the Guarantee Agreement and the sale of unguaranteed bonds to the public, the proceeds of the sale of certain bonds of the Corporation issued in the public credit markets and pursuant to the Financing Agreement, and, in fiscal year 1979, the sale of certain federally insured mortgages on City financed housing projects.

In the 1979 fiscal year the City anticipates that its need for cash from sources other than the scheduled receipt of taxes and other revenues will be substantially reduced from its needs in recent years. Projected seasonal borrowing needs are anticipated to be $750 million for the 1979 fiscal year, compared to needs of $1.9 billion in 1978, which were met through Federal seasonal loans. The reduction is due in part to the planned funding by the City, from the proceeds of the sale of the Cor-
poration's bonds and other available moneys, of the $800 million advance by the State of State assistance moneys which was made in each of the 1975 to 1978 fiscal years.

The City Pension Funds and Commercial Banks have agreed, subject to certain conditions, to loan to the City $750 million evidenced by City notes. The City also intends to offer its notes for sale to the public; the commitment of the Commercial Banks and Pension Funds to purchase notes will be reduced by the amount of any such public sales. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Seasonal Agreement."

The City projects its seasonal financing needs at between $800 million and $1 billion a year for the 1980, 1981 and 1982 fiscal years. Although the City may be able to meet all or a portion of its requirements in the public credit markets, no commitments by private sources to purchase the remainder of these notes, if the City is unable to sell them to the public, have yet been received.

No assurance can be given that the City's projections of when it will receive money from any of these cash sources will be met. Among other factors, the number and potential difficulty of the conditions which must be met before any sale of notes or bonds of the City or the Corporation pursuant to the Guarantee Agreement, the Financing Agreement, or the Seasonal Agreement takes place could prevent or delay any such sale. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

**Litigation**

The City is a defendant in a significant number of lawsuits pertaining to material matters including those claims asserted which are incidental to performing routine governmental and other functions. As of June 30, 1978, claims in excess of $17 billion were outstanding against the City for which the City estimates its aggregate potential future liability to be $770 million. The City provides in its Four Year Financial Plan for the amount of claims anticipated to be settled during each year.

In addition to the above claims and proceedings, numerous real estate tax certiorari proceedings are presently pending against the City on grounds of alleged inequality of assessment. These proceedings present a question with regard to the appropriateness of and weight to be afforded the equalization rate fixed by the State Board of Equalization and Assessment in determining the ratio of assessed value to full value in cases involving taxpayer challenge to assessments of real estate. Similar litigation has been commenced in other localities in the State, and in certain such localities, court decisions have been adverse to the taxing authority. An adverse decision to the City involving this issue could have a substantial adverse impact on the City. It has been estimated by the City's Real Property Assessment Bureau that the potential exposure to the City should an adverse decision be rendered could amount to as much as $1.8 billion. Remedial legislation has been enacted to limit and reduce such liability; however, this legislation is also being challenged. No provision for this potential exposure if any, has been made in the City's Four Year Financial Plan.

For a description of additional litigation which relates to provisions of the 1978 Amendments intended to enable the City to limit the costs of labor settlements, see "PART 14—LITIGATION."

**Expiration of the Plan**

The Four Year Financial Plan currently covers the fiscal years of the City ending with the 1982 fiscal year. Pursuant to the Emergency Act, before each fiscal year, the City is required to develop a four year financial plan projecting an operating budget balanced in accordance with GAAP for such year and projecting the City's budgetary and financing needs for the three succeeding fiscal years. It is anticipated that such financial plans for the succeeding fiscal years will show budget gaps for which additional Federal, State and City gap-closing actions may be necessary.

In 1983 and subsequent fiscal years, the City may face substantial budgetary and financing difficulties of a nature similar to those faced during the course of the Four Year Financial Plan. For a discussion of long-range financial and economic problems potentially facing the State, many of which are also faced by the City, see "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE—Long Term Trends."
For fiscal year 1983 and thereafter, the City has no commitments for the provision of either short-term or long-term financing. The City plans to meet such financing needs in the public credit markets. If it is not possible for the City to sell its notes and bonds, on reasonable terms and in sufficient amounts, there is no assurance that either the Federal government or the State would continue programs of budgetary and financing assistance similar to those currently being relied on.

**Federal Bankruptcy Legislation**

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

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

The filing of such a Chapter 9 petition would cause a failure of a condition to the obligation of the Financial Institutions and City Pension Funds to purchase bonds of the Corporation and could cause the Secretary to refuse to guarantee any additional City bonds and to withhold Federal aid payable to the City or the State pursuant to the Federal Guarantee Act.

Although the filing of such a petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a materially adverse effect on the Corporation's ability to repay its obligations, including the 1978 Series 10 Bonds. The filing of such a petition, as with other financial developments with respect to the City, might affect the market and market price for the 1978 Series 10 Bonds.

The revised Chapter 9 referred to in "PART 5—Provisions for Payment of the Bonds—Federal Bankruptcy Legislation" will not materially alter the provisions of the present Chapter 9 that are described above.

**PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN**

The financing requirements of the City during the Four Year Financial Plan are expected to be fulfilled through the sales of obligations of the Corporation and obligations of the City pursuant to the Debt Issuance Plan, see "PART 2—Four Year Debt Issuance Plan" and "PART 9—Certain Developments Affecting the City—Cash Sources." As described more fully in this Part 10, the implementation of the Debt Issuance Plan required the enactment of certain State and Federal legislation and the execution of the Agreements. The obligation of each of the purchasers to make the purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirements that the City adopt and adhere to operating budgets for fiscal year 1982, and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), and that specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State. Although the Corporation believes implementation of the Agreements and other elements of the Debt Issuance Plan is achievable, no assurance can be given that the applicable conditions of the Agreements
will in the future be satisfied, or if satisfied that such purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

**State Legislation**

In June 1978 and September 1978, the 1978 Amendments were enacted amending the Act in order to permit the Corporation to fulfill elements of the Debt Issuance Plan relating to it. Prior to the passage of the 1978 Amendments, the Corporation had virtually exhausted its statutory authority to issue its bonds and notes. The 1978 Amendments increased from $5.8 billion to $8.8 billion the amount of bonds and notes (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City’s seasonal financing requirements) which may be issued by the Corporation, and it expanded the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments to the City for any item which is permitted to be included in the City’s capital budget, (ii) payments which will have the effect of reducing the City’s requirements for State advances of State assistance moneys payable to the City, (iii) payments into the Guarantee Fund, and (iv) the financing of the City’s seasonal borrowing requirements. The 1978 Amendments also extended the latest date on which the Corporation may issue obligations by two years to June 30, 1982 and increased the maximum maturity of obligations from twenty to thirty years, provided that no note or bond may mature later than July 1, 2008. Any note issued by the Corporation to finance the City’s seasonal borrowing requirements must mature in the same fiscal year in which it is issued. Payments made by the Corporation to the City for capital items (exclusive of those expense items permitted by law to be included in the City’s capital budget during the period of the phase-out of such items from the capital budget) must be evidenced by bonds of the City to be repaid on a schedule comparable to that for the bonds of the Corporation.

The 1978 Amendments also amended the Emergency Act to extend the duration of and to revise the duties and powers of the Control Board and to provide for the 1978 State Covenant. See “PART 11—VARIOUS CONTROL PROGRAMS—Control Board” and “PART 12—AGREEMENT OF THE STATE OF NEW YORK.” For a description of litigation challenging certain of such provisions of the 1978 Amendments, see “PART 14—LITIGATION.”

**Federal Guarantee Act**

In August 1978 the Federal Government enacted the Federal Guarantee Act to authorize the Secretary to guarantee the payment of principal of and interest on indebtedness of the City or the Corporation issued or to be issued to employee pension funds of the City or of the State or of their agencies, including the City Pension Funds and the State Pension Funds (“Guaranteed Indebtedness”). Such guarantees are subject to annual limitations and may not exceed $1.65 billion in aggregate principal amount outstanding. Federal guarantees are expected to be applied only to indebtedness of the City.

The Secretary’s authority to issue guarantees terminates on June 30, 1982, and any such guarantee is required to lapse not later than fifteen years after the date of issuance of the indebtedness guaranteed or upon transfer of the indebtedness by a City or State pension fund (other than by transfer not involving a change in beneficial ownership).

The Federal Guarantee Act calls for the Secretary to collect a guarantee fee from the issuer computed at a daily rate of not less than ½ of 1% per annum on the outstanding principal amount of Guaranteed Indebtedness, and this fee may be increased without limit by the Secretary in order to induce the issuer to enter the public credit markets.

The issuance of all guarantees is subject to statutory limitations and conditions and such other conditions as the Secretary may impose. Prior to issuing any guarantee, the Secretary must determine, among other things, that (i) the City is effectively unable to obtain upon reasonable terms and conditions sufficient credit in the public credit markets or elsewhere to meet the City’s borrowing needs; (ii) the interest rate on such Guaranteed Indebtedness is reasonable; (iii) there is a reasonable prospect that the Guaranteed Indebtedness will be repaid in accordance with its terms and
conditions; (iv) during the 1979 through 1982 fiscal years the long-term and short-term borrowing needs of the City (other than borrowing guaranteed under the Federal Guarantee Act) will be met by the State, an agency of the State, private sources or through the public credit markets in amounts that will enable the City after the 1982 fiscal year to meet its long-term and short-term borrowing needs through the public credit markets; (v) the Control Board is requiring the City (a) to adopt and adhere to operating budgets balanced in accordance with GAAP for the 1982 fiscal year and thereafter, (b) to make substantial progress toward that goal during fiscal years 1979 through 1981, and (c) prior to the 1982 fiscal year, to adopt and adhere to operating budgets balanced in accordance with accounting principles established under State law; (vi) the City has submitted a Four Year Financial Plan for the then current and three succeeding fiscal years which will result in budgets balanced as required by the Guarantee Act; (vii) the Control Board has demonstrated to the satisfaction of the Secretary that it has the authority to control the fiscal affairs of the City during the period Guaranteed Indebtedness is outstanding; (viii) in fiscal years 1980-1982, except during any year in which the City has presented a budget balanced in accordance with GAAP, the State has furnished assurance to the Secretary that State financial assistance to the City will not be less than was provided in fiscal year 1979; and (ix) the City has agreed to offer to sell for distribution to the public short-term notes in the 1980, 1981 and 1982 fiscal years and long-term bonds in the 1981 and 1982 fiscal years, unless the Secretary determines that any such offer would be inconsistent with the financial interests of the City.

The Secretary must also make the following determinations as a condition to issuing guarantees (all of the agreements of the City referred to below are provided for in the Agreement to Guarantee):

1. To provide for retirement of Guaranteed Indebtedness in advance of maturity, the City has agreed that in each year following the 1982 fiscal year the City will pay or provide for the payment of indebtedness then guaranteed, giving priority to indebtedness having the longest maturity, in a principal amount not less than 15% of the net proceeds of obligations of the City (and of obligations of the Corporation the proceeds of which are paid to the City) issued in the public credit markets during such year. The City also has agreed that as soon as practicable after the Secretary determines that the City has demonstrated its ability to meet its long-term credit needs through the public credit markets, the City will implement a program satisfactory to the Secretary for refunding any outstanding Guaranteed Indebtedness to achieve complete repayment at the earliest practicable date. Both such requirements are subject to the Secretary's consideration of the effect of such requirements on the City's ability to meet its long-term credit needs in the public credit markets.

2. To provide for monitoring of the financial condition of the City for such time as any Guaranteed Indebtedness remains outstanding, the City has agreed to submit to the Secretary, after the close of each fiscal year during which any Guaranteed Indebtedness is outstanding, an opinion of independent public accountants setting forth the results of an audit of the financial statements of the City and describing any deviation from GAAP. The City has agreed to establish an audit committee to assist in determining the areas of inquiry for, and to review and evaluate, such audits. In addition, during such time as Guaranteed Indebtedness is outstanding, the Secretary is authorized to inspect all documents of the City or the Corporation relating to the City's financial affairs and the General Accounting Office may make such audits of the City or the Corporation as may be deemed appropriate by the Comptroller General. The City also has agreed to establish a productivity council to develop and seek to implement methods for enhancing the productivity of the City's labor force.

3. At the time any guarantee is made by the Secretary, the State or a State agency (in this case, the Corporation) has deposited in a fund (the Guarantee Fund) an amount which together with amounts previously deposited therein, shall equal not less than 5% of the principal of, plus 5% of one year's interest on, the Guaranteed Indebtedness outstanding (including the amounts to be guaranteed at the time the deposit is made). Amounts on deposit in the fund shall be used to pay, or to reimburse the Treasury for paying any principal of and interest on such indebtedness that the issuer of the Guaranteed Indebtedness fails to pay. See "PART 4—USE OF PROCEEDS." In addition, if the Federal Government has any claims against the City or the State pursuant to the Federal Guarantee Act, the Federal Guarantee Act requires the Secretary to provide for the withholding of payments from the United States to the City or State that may be or may become due pursuant to any law.
The City and the State are required to be meeting their obligations under the Federal Guarantee Act at the time of each issuance of a guarantee.

The Secretary may authorize guarantees in the 1982 fiscal year (other than carryover authority from the three prior fiscal years) only if he determines that the City has presented a budget for the 1982 fiscal year that is balanced in accordance with GAAP. The Federal Guarantee Act provides that in addition to the terms and conditions for the issuance of guarantees set forth therein, the Secretary may require other terms and conditions which he deems appropriate. See “Guarantee Agreement” in this Part 10.

No assurance can be given that the City will be able to meet the conditions necessary to enable it to obtain Federal guarantees in fiscal years 1980, 1981 and 1982, if required. For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Federal Guarantee Act, see “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY”. Furthermore, either the United States House of Representatives or the Senate may disapprove guarantees in either or both the 1980 and 1981 fiscal years, in whole or in part.

Pension Legislation

In October 1978, the Federal Government enacted legislation (“Pension Legislation”) that has the effect of exempting from certain “prohibited transaction” and “exclusive benefit” provisions of the Internal Revenue Code purchases by the City and State Pension Funds of bonds and notes to be sold to them as part of the Debt Issuance Plan.

The provisions of the Pension Legislation apply to purchases of obligations of the Corporation and of the City by City Pension Funds pursuant to an agreement approved by the Secretary. In the case of a City Pension Fund, the general standard to be applied by the Secretary in approving an agreement is the extent to which such purchases will (1) maintain the City's ability to make future contributions to the City Pension Funds and to satisfy its future obligations to pay pension and retirement benefits and (2) protect the sources of funds to provide retirement benefits to members and beneficiaries.

To approve such an agreement the Secretary must consider the terms of the proposed purchases and receive satisfactory assurances that the State, a State agency, private sources, or public markets will participate significantly in the acquisition of obligations of the City or the Corporation. No acquisition may be made unless the Secretary determines that the City is complying with the budget and financial reporting conditions of the Federal Guarantee Act, and no such acquisition after March 15, 1980 may be made by a City Pension Fund unless a copy of its most recent annual report and statement of projected cash flow, which must comply with certain prescribed standards, have been submitted to the Secretary.

An acquisition of obligations of the City or the Corporation made by the City or State Pension Funds satisfies the requirements of the Pension Legislation only if: (i) in the case of a State Pension Fund, no more than 10 percent of its assets consists of indebtedness of the City or the Corporation at the time of the acquisition; (ii) in the case of a City Pension Fund, no more than 50 percent of its assets consists of such indebtedness at the time of the acquisition and the aggregate amount of such indebtedness held by all the City Pension Funds and the New York City Fire Department Pension Fund, Article 1-B at the end of the prior fiscal year shall not have exceeded specified percentages of their combined assets (for the 1979, 1980, 1981, and 1982 fiscal years the percentages are 40, 36, 33, and 30 percent of their combined assets, respectively) and (iii) after the acquisition of such bonds, such City Pension Fund will have a positive cash flow for the fiscal year in which such obligations were purchased.

Financing Agreement

The obligations of the Financial Institutions and City Pension Funds to make the purchases called for by the Financing Agreement are subject to many conditions, certain of which are referred to below.

A purchase scheduled to be made pursuant to the Financing Agreement is required to be made only if substantially all scheduled purchases under the Debt Issuance Plan have been made at such time
and if the Guarantee Agreement, including the obligations of the City and State Pension Funds to make the purchases required thereby, shall be in full force and effect, and shall not have been amended or modified in any material respect or any material provision thereof waived, and the United States shall have guaranteed and the City and State Pension Funds shall have purchased substantially all of the Guaranteed Bonds theretofore to have been guaranteed and purchased pursuant to such Agreement. For a description of statutory conditions required to be fulfilled in order that the Guarantee Agreement remain in full force and effect, see “Federal Guarantee Act” in this Part 10.

Certain of the conditions contained in the Financing Agreement are directly related to the financial condition and prospects of the City and the authority of the Control Board to control the fiscal affairs of the City. Among the conditions applicable at the time of each purchase are the following: (i) the Control Board must have determined, in effect, that the borrowings reflected in the City’s then current financial plan will be sufficient to satisfy the City’s seasonal and long-term borrowing requirements during the period covered by such plan; (ii) an agreement (the “Adherence Agreement”) executed by the City with the Financial Institutions and City Pension Funds to comply with the provisions of the Emergency Act, must be in full force and effect and the City must not be in breach thereof; (iii) the City’s reported operating budget deficit, if any, for the fiscal year prior to any purchase, the projected operating budget deficit, if any, for the then current fiscal year, and the City’s seasonal borrowing needs for the then current fiscal year, do not exceed specified limits; and (iv) the Control Board must determine that the City is in substantial compliance with outstanding orders of the Control Board. Additionally, there must be no default in payment of principal of or interest on any indebtedness, or in payment of certain contracts of, the Corporation, the City, the State or any general obligations of any agency whose obligations are backed by the “moral obligation” of the State; the 1978 State Covenant, as described in “Part 12—AGREEMENT OF THE STATE OF NEW YORK”, must be included in the bonds and must not have been amended or modified in any material respect; and the Resolutions and the Act must not have been amended in any way adverse to the interests of the Financial Institutions or City Pension Funds.

The pendency of certain litigation relating to certain of the powers or duties or the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Financing Agreement would also cause a failure of a closing condition under the Financing Agreement. The obligations of the City Pension Funds to make the purchases called for in the Financing Agreement are subject to the enactment of certain State legislation relating to the powers and duties of the Funds, the City making all contributions to such Pension Funds on a specified regular basis, and the qualification of such purchases under the Pension Legislation. The obligation of the Financial Institutions to make the purchases called for is conditioned upon the exclusion from gross income for Federal income tax purposes of interest on the bonds purchased or to be purchased not having been threatened by reason of specified legislative, judicial or administrative actions having been taken.

In addition to the conditions described above, at the time of each purchase there shall have been no governmental actions or items that result in a material adverse change in the prospects for payment of the principal of or premium, if any, or interest on the bonds to be purchased and the bonds to be purchased must have an investment grade rating from Standard & Poor’s Corporation and Moody’s Investors Service, Inc.

The Financing Agreement requires that funds advanced by the Corporation to the City for capital expenditures shall be evidenced by City bonds and that City bonds received by the Corporation prior to July 1, 1982 shall include the 1978 State Covenant. It further requires that prior to March 31, 1979, the Corporation shall exchange at least $20 million aggregate principal amount of City bond anticipation notes it currently holds for an equal principal amount of City bonds containing the 1978 State Covenant and requires the Corporation, in certain instances, to take action to enforce the 1978 State Covenant.

For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Financing Agreement, see “Part 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

49
Any bonds purchased pursuant to the Financing Agreement, other than the 1978 Private Series Bonds, will bear interest at a rate computed in accordance with a formula specified in the Agreement. The formula takes into account various market factors and will result in a rate equal to or somewhat higher than the rate at which such bonds would be successfully distributed in the public credit markets.

**Guarantee Agreement**

The Guarantee Agreement provides, subject to the fulfillment of numerous conditions, that the City and State Pension Funds will purchase, and the United States will guarantee the payment of the principal of and interest on, up to $500 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1979 and up to $250 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1980. In addition, the Agreement permits the Secretary, subject to the same conditions, to guarantee, on behalf of the United States, up to an aggregate of $900 million of City bonds sold to the City and State Pension Funds in fiscal 1981 and 1982 (with no more than $300 million in fiscal 1981), to the extent that the Secretary determines the City and the Corporation are unable to sell their bonds on reasonable terms in the public credit markets. The City and State Pension Funds have agreed to purchase in fiscal 1981 and 1982 up to $900 million principal amount of City bonds which the United States may guarantee in those years.

Prior to the giving of any guarantee under the Guarantee Agreement, the Secretary must determine that all conditions required by the Federal Guarantee Act have been fulfilled. See “Federal Guarantee Act” in this PART 10. Issuance of Federal guarantees under the Guarantee Agreement also is subject to certain additional conditions among which are the following: Guarantees are required to be made under the Guarantee Agreement only if substantially all scheduled purchases under the Debt Issuance Plan have been made at the time of any issuance by the City of bonds to be guaranteed. The City must be in substantial compliance with its then current four year Financial Plan. The Financing Agreement must be in full force and effect without material amendment, modification or waiver not approved by the Secretary. The Emergency Act must remain substantially in full force and effect, the City must be in substantial compliance therewith, including the borrowing limits imposed on the City by such Act. The pendency of certain litigation relating to certain of the powers or duties or the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Guarantee Agreement would also cause a failure of a closing condition under the Guarantee Agreement.

Bonds guaranteed pursuant to the Guarantee Agreement must mature serially within 15 years from the date of issuance. The Federal guarantee lapses upon any transfer of the bonds, other than a transfer not involving a change in beneficial ownership. The Guarantee Agreement requires the City to pay a guarantee fee equal to \( \frac{1}{2} \) of one percent per annum of the outstanding principal amount guaranteed, which percentage may be increased without limit by the Secretary in order to induce the City to reenter the public credit market.

As required by the Federal Guarantee Act, the City has made all agreements required to be made as a condition to the Secretary's issuance of guarantees. See “Federal Guarantee Act” in this PART 10.

The Guarantee Agreement also provides for the establishment of the Guarantee Fund by the Corporation. As required by the Federal Guarantee Act, prior to the issuance of any Federal guarantee, an amount equal to five percent of the sum of the principal of and one year's interest on the outstanding and then to be issued Guaranteed City Bonds is required to have been deposited in the Guarantee Fund, see “PART 4—USE OF PROCEEDS.” Additionally, the Corporation has agreed to surrender for cancellation, without payment, the notes of the City it currently holds, other than bond anticipation notes. The Corporation has further agreed to surrender such bond anticipation notes for cancellation, to exchange them for City bonds or to make other provisions with respect to their payment satisfactory to the Secretary on or before March 31, 1979 or such later date as the Secretary shall agree.

For a description of certain conditions and plans of the City which may affect the fulfillment of various conditions contained in the Guarantee Agreement, the Federal Guarantee Act and the Pension Legislation, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."
Seasonal Agreement

The Seasonal Agreement provides commitments by the Commercial Banks and the City Pension Funds to make loans evidenced by revenue anticipation notes of the City (the "Notes") in an aggregate principal amount of up to $750 million during the 1979 fiscal year. Notes due in April would be issued by the City in anticipation of State aid to education, State welfare assistance anticipated to be received in April 1979 and notes due in June 1979 would be issued by the City in anticipation of State aid to education and higher education, State welfare assistance, State Per Capita Aid and Sales Tax and Stock Transfer Tax collections payable to the City after satisfaction of the Corporation's funding requirements. All Notes would contain the pledge of the City of its faith and credit.

The Seasonal Agreement provides that the aggregate amount to be made available under such Agreement will be $500 million on and after the date of such Agreement with an additional $250 million made available on and after January 1, 1979. The commitment to make loans expires on March 30, 1979, and the aggregate amount of the commitment is reduced by the amount of any notes maturing prior to July 1, 1979 issued by the Corporation to satisfy the City's seasonal financing needs or issued by the City other than pursuant to the Seasonal Agreement.

The interest rate on the Notes is to be determined by a formula based on the Federal Funds Rate but may not in any event be less than 7.5% or exceed 9.5%. The Notes may be prepaid by the City, unless a lender elects on a specified date to exchange Notes for notes having the same form as notes, if any, sold by the City in the public credit markets and bearing interest at a rate equal to the yield to maturity on publicly traded City notes at approximately the time of exchange. The City has also agreed to pay a commitment fee equal to one-half percent per annum of the amount of the available commitment plus the amount of the outstanding Notes prior to exchange, subject to reduction in certain circumstances.

The Seasonal Agreement contains conditions to make loans substantially similar to those contained in the Financing Agreement with respect to purchases required to have been made pursuant to the Financing Agreement and the Guarantee Agreement. In addition, the Seasonal Agreement requires, that the City's cash flow statements do not show a seasonal financing need as of the date of such statements or for the remainder of the 1979 fiscal year in excess of $750 million. Among the other conditions to loans contained in the Seasonal Agreement are those relating to waiver by the Secretary of certain priorities of the United States and those relating to the revenues in anticipation of which the Notes are to be issued and the prospects for the payment of the Notes when due.

The City has covenanted to employ its best efforts to satisfy the maximum practicable amount of its seasonal borrowing requirements (taking into account yield, maturity and other factors) through sales of notes to the public. The City has also covenanted to comply with the provisions of the Emergency Act, and the Four Year Financial Plan. The City is to include the 1978 State Covenant in the Notes.

For a discussion of certain conditions and plans of the City that may affect fulfillment of certain conditions contained in the Seasonal Agreement, see "Part 9—Certain Developments Affecting the City."

PART 11—VARIOUS CONTROL PROGRAMS

This Part describes the powers of the Corporation to aid the City, the requirements imposed upon the City by the Act and the Emergency Act, and the powers of the Corporation and the Control Board to review and take action with respect to the City's compliance with such requirements. For a description of other budgetary and financial requirements imposed upon the City pursuant to the Federal Guarantee Act, the Pension Legislation and the Agreements, see "Part 10—Legislation and Agreements Relating to the Debt Issuance Plan."
Powers of the Corporation

The Act authorizes the Corporation to make direct payments to or purchase obligations of the City, subject to the conditions described under “Conditions to Payments to the City” in this Part 11. Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements).

The Corporation may pay to the City part or all of the amounts certified by the Mayor to be required by the City (a) to pay principal and interest on short-term City obligations at maturity, (b) to pay any item permitted to be included in the City’s capital budget, (c) to reduce the City’s requirements for an advance of State assistance moneys, (d) to meet the City’s seasonal borrowing requirements, or (e) to pay operating expenses of the City other than those included in (b), (c) or (d). Amounts received pursuant to (e) must be held in trust by the City and used for such purpose. All other amounts received must be used to pay such expenses for which certification has been made. City obligations issued in consideration for payments pursuant to (a) or (e) must mature within 15 years from the date of issuance. Amounts advanced pursuant to (e) may not exceed $2.0 billion in aggregate principal amount outstanding as of the date hereof, such advances aggregate $1.9997 billion. Amounts paid pursuant to (b), other than for expense items permitted to be included in the capital budget, must be evidenced by City bonds that mature on substantially the same schedule as bonds of the Corporation issued to make such payments.

The Corporation is authorized 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. As of the date hereof, the Corporation has issued $1.839 billion aggregate principal amount of Second Resolution Bonds in exchange for an equal principal amount of outstanding short-term obligations of the City.

Any short-term obligations of the City held by the Corporation (other than bond anticipation notes) may be delivered to the City for cancellation without payment of principal or interest thereon. Bond anticipation notes held by the Corporation may not be delivered to the City for cancellation without payment of principal and interest unless the Mayor and the City Comptroller have requested that they be delivered for cancellation. City bonds held by the Corporation may not be delivered to the City for cancellation without payment unless they are refunded or renewed. In addition, City bonds may not be sold or transferred to anyone other than the City unless the Mayor and the City Comptroller have requested such action.

Conditions to Payments to the City

The Act provides that, at the time of any purchase by the Corporation of City obligations or any exchange of the Corporation’s bonds or notes for 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 Act provides that the statutory conditions, as modified by the Corporation and agreed to by the City, shall cease to apply when all bonds and notes of the Corporation have been repaid or such repayment is provided for as specified in the Act.

The statutory conditions 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 as required by the Act as in effect before passage of the 1978 Amendments, the City adopted as its method of accounting the accounting principles set forth in the Uniform System of Accounts, as adjusted. The City’s audited financial statements provided to the Corporation for the City’s 1978 fiscal year were prepared and those to be prepared for each subsequent fiscal year are to be prepared in accordance with GAAP, with the
adjustments necessary to show results in accordance with the Uniform System of Accounts, as adjusted, for fiscal years 1978 through 1981.

(ii) The Act, as in effect after passage of the 1978 Amendments, requires the City to comply with various provisions of the Emergency Act relating to balanced budgets, provisions for debt service and other financial requirements. The City remains obligated to submit its proposed operating budgets (and any subsequent increases in expenditures therein) and operations reports for each fiscal year and each quarter to the Corporation for review as to whether the City is adhering to an operating budget in which the total of all income equals or exceeds the total of all expenditures, after the adjustments permitted by the Act.

(iii) The Act sets forth two tests for the issuance by the City of its short-term notes. Under one test the sum of the aggregate principal amount of the City's outstanding short-term obligations plus the aggregate principal amount of certain outstanding bonds and notes of the Corporation may not exceed a specified amount. Under the second test, the sum of the aggregate principal amount of the City's outstanding short-term obligations (excluding bond anticipation notes) plus the aggregate principal amount of certain bonds and notes issued by the Corporation, whether or not still outstanding, may not exceed another specified amount. The Corporation is required to police these limits by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates the debt limits and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation anticipates that neither limit will prevent the City from issuing any of the short-term obligations contemplated in the Four Year Financial Plan.

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 operating budget will not be balanced in accordance with the Act, or that any of the conditions summarized above have not been fulfilled or should be modified, the Corporation must notify the Governor, the Mayor and certain other State and City officials and must disclose such determinations to the public.

Control Board

The Control Board, created pursuant to the Emergency Act in 1975, is composed of the Governor and Comptroller of the State, the Mayor and Comptroller of the City and three appointees of the Governor: Francis J. Barry (a member of the Board of the Corporation), John C. Sawhill and Stanley Shuman. (Two of the gubernatorial appointees must be residents of, or have their principal place of business in, the City). The Executive Director of the Control Board Donald D. Kummerfeld, has resigned effective November 16, 1978. Comer Coppie, formerly Director of the Budget of Washington, D.C. has been named as his successor. Sidney Schwartz is Special Deputy State Comptroller empowered to assist the Control Board and the Corporation in carrying out their functions. Non-voting representatives may be appointed to the Control Board by the lieutenant governor, by the temporary president and the minority leader of the Senate, by the Speaker and the minority leader of the Assembly, by the president, the vice-chairman and the minority leader of the City Council and by the Board of Estimate of the City.

The most significant powers of the Control Board are exercisable during a "control period," defined in the Emergency Act to mean the period ending when (i) there is no longer effective or outstanding any Federal guarantee (see "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act"), (ii) the Control Board has determined that the City has adopted and adhered to an operating budget balanced in accordance with GAAP for each of the three immediately preceding fiscal years, and (iii) the State and City Comptrollers have jointly certified that securities sold by or for the benefit of the City during the preceding and current fiscal year in the public market satisfied the capital and seasonal financing requirements of the City during such period and that there is a substantial likelihood that such securities can be sold in the public credit markets through the end of the next succeeding fiscal year in amounts that will satisfy substantially all of the capital and seasonal financing requirements of the City during such period. Thereafter, a control period is to be reimposed by the Control Board at such times and for such durations as are made necessary by
the actual (or substantially likely and imminent) occurrence of certain events relating to the City's ability to pay its bonds and notes when due or its ability to adopt or adhere to a balanced operating budget or to satisfy its capital and seasonal financing needs in the public markets. After the termination of a control period, the Control Board is required to consider annually whether, in its judgment, any of the specified events have occurred. No control period may extend beyond the earlier of (i) July 1, 2008 or (ii) such date as no bonds or notes containing the 1978 State Covenant remain outstanding and there is no longer effective or outstanding any guarantee issued pursuant to the Federal Guaranty Act.

During a control period, the four year financial plans of the City, including modifications thereof are subject to review and approval by the Control Board. In addition, the Control Board may formulate a financial plan, in the event a plan shall not have been approved prior to the beginning of the first fiscal year covered by such plan, and may modify a plan, in the event a modification required pursuant to the Emergency Act shall not have been approved within the time period specified by such Act. The Control Board is required to disapprove a financial plan or financial plan modification if the plan or modification is incomplete or fails to comply with the applicable standards specified in the Emergency Act, except that the Control Board may authorize a method of phasing the requirements of any changes in GAAP into the operating budget over a reasonable period if immediate compliance would cause a substantial adverse impact on the delivery of essential services. The Control Board may also approve modification to a financial plan that would cause the financial plan to no longer be in compliance with the applicable standards if compliance would result in a material adverse impact upon the delivery of essential services because of unforeseen events during the fiscal year. Beginning with the 1983 fiscal year, any deficit in the City's operating budget must be provided for in the following fiscal year.

The Control Board's current program for determining the City's compliance with its financial plan includes monitoring the City's 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 a control period all revenues, funds and accounts of the City and any covered organization are revenues, funds and accounts of a fund established pursuant to the Emergency Act (the "Board Fund") and are held for the account of the City or the appropriate covered organization except to the extent prohibited by law or previous agreement relating to outstanding securities and except for moneys deposited into a City debt service fund, or repayment accounts for tax or revenue anticipation notes. Responsibility for disbursements from and day-to-day management of the Board 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, subject to certain conditions. The Control Board has the power to exempt revenues, funds or accounts from these requirements.

In addition to its responsibilities with respect to the four year financial plans, during a control period the Control Board is also charged with responsibility for the review and approval of proposed contracts or obligations of the City and the covered organizations, including any arrangement whereby the revenue or credit of the City would be encumbered for the payment of any obligations of certain public benefit corporations, not including the Corporation, and, in coordination with the Corporation, the approval of long-term or short-term borrowing by the City or any covered organization.

PART 12—AGREEMENT OF THE STATE OF NEW YORK

The State has pledged to and agreed with the holders of the Corporation's bonds, including the Second Resolution Bonds, that the State will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with holders of any such bonds, or in any way impair the rights and remedies of such holders, until any such 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.

Pursuant to the 1978 Amendments, with respect to any notes or bonds of the City issued after September 28, 1978 and prior to July 1, 1982, and with respect to any bonds of the Corporation
issued after September 28, 1978, the City is authorized and the Corporation is authorized and required to include the 1978 State Covenant in any agreement with holders or guarantors of such notes or bonds. By the terms of the 1978 State Covenant, the State agrees not to take any action that will (a) substantially impair the authority of the Control Board during a control period to approve, disapprove or modify any financial plan or modification, to disapprove contracts of the City or covered organizations, to approve or disapprove proposed borrowings of the City or covered organizations, and to establish procedures for deposits to and disbursements from the Bond Fund; (b) substantially impair the authority of the Control Board to review financial plans and modifications, contracts and proposed borrowings of the City or covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the Control Board such that a majority of the voting members are not elected State officials or appointees of the Governor; (e) terminate the existence of the Control Board before the earlier of July 1, 2008 or the date when all notes or bonds containing the 1978 State Covenant are no longer outstanding and there is no longer effective or outstanding any Federal guarantee; (f) substantially modify the requirement that the City's financial statements be independently audited; or (g) alter the definition of control period or substantially alter the authority of the Control Board to reimpose or terminate a control period. The Emergency Act provides that the pledge and agreement of the State shall cease to be effective when notes and bonds subject to the pledge are no longer outstanding or when sufficient moneys have been set aside for their payment.

Enactment of the 1978 State Covenant was considered by the Financial Institutions to be an essential condition to their participation in the Debt Issuance Plan. In the opinion of Bond Counsel, given to the Financial Institutions and City Pension Funds pursuant to the Financing Agreement, while the matter is not free from doubt, the 1978 State Covenant is enforceable, provided a court would hold that the pledge is an "important security provision" of the Bonds, "subject at all times to the proper exercise of the State's reserved police power." The enforceability of the 1978 State Covenant is subject to various factual requirements and legal uncertainties and there can be no assurance that any purchaser seeking to enforce the 1978 State Covenant will be able to meet such factual requirements or that such legal uncertainties will be resolved in favor of such enforcement.

PART 13—MANAGEMENT

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

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

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

<table>
<thead>
<tr>
<th>Directors*</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix G. Rohatyn, Chairman(1)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Francis J. Barry(2)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>George M. Brooker(2)(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>Thomas D. Flynn(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>George D. Gould(2)</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Andrew P. Steffan(2)(5)</td>
<td>December 31, 1980</td>
</tr>
<tr>
<td>Robert C. Weaver</td>
<td>December 31, 1980</td>
</tr>
</tbody>
</table>
Representatives (4)

Zane Klein ........ Appointed by the City Board of Estimate
Edward M. Kresky (5) Appointed by the President Pro-Tem of the State Senate
Jules V. Lane ...... Appointed by the Minority Leader of the State Assembly
Leonard Nadel ....... Appointed by the Speaker of the State Assembly
(Vacant) ............ Appointed by the Vice-Chairman of the City Council
Robert W. Seavey ... Appointed by the Minority Leader of the State Senate
Sanford I. Weill (5) . Designated representative of the State Comptroller

Eugene Keilin is the Executive Director of the Corporation. (6)

* There is presently one vacant seat on the Board.

(1) Mr. Rohatyn has announced his intention to resign as Chairman and it is expected that he will be leaving the Corporation in the near future.

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

(3) Mr. Brooker and Mr. Flynn are continuing to serve as directors until reappointed or until their respective successors have been appointed and qualified.

(4) 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.

(5) Smith Barney, Harris Upham & Co., Inc., with which Mr. Steffen is affiliated as a managing underwriter in connection with the sale of the 1978 Series 10 Bonds; Wertheim & Co., Inc., and Shearson Hayden Stone, Inc., with which Messrs. Kresky and Weill, respectively, are affiliated, may act as underwriters in connection with the sale of the 1978 Series 10 Bonds.

(6) Mr. Keilin has stated his intention to resign as Executive Director in the near future.

FELIX G. ROHATYN, Chairman. Mr. Rohatyn is a General Partner of Lazard Frères & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Eastern Air Lines, Inc., Engelhard Minerals & Chemicals Corporation, Howmet Turbine Components Corporation, International Telephone and 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, 50, is a resident of New York City.

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

GEORGE M. BROOKER. Mr. Brooker has been a principal stockholder and Secretary-Treasurer of Webb & Brooker, Inc., a real estate management and brokerage firm, since 1969. He is Vice-President of the Greater New York Institute of Real Estate Management. He is Chairman of the Board of Directors of the New York Urban League. He is a director of the DuBois Memorial Foundation, a member of the Board of Governors of the Real Estate Board of New York and the Realty Advisory Board of New York. He is also a member of the Board of Governors of the Carver Democratic Club of New York City. He is a member of the Management Council, National Center Housing Management of Washington, D.C., and a director of the Realty Foundation of New York. Mr. Brooker, 52, is a resident of Pelham Manor, New York.

THOMAS D. FLYNN. Mr. Flynn was, until October 1975, a partner in Arthur Young & Company, an international accounting firm, and Vice-Chairman of its Management Committee. He served as President of the American Institute of Certified Public Accountants ("AICPA") for the year 1964-1965. In 1970, he was the recipient of an AICPA Gold Medal Award for Distinguished Service to the Accounting Profession, the highest honor awarded by the AICPA. He is a Trustee of Columbia University. He is Director Emeritus of the National Bureau of Economic Research, Inc. He is also
a Trustee of American Savings Bank. He is a member of the Board of Directors of Household Finance Corporation, and Chairman of the Audit Committee. Mr. Flynn, 63, 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, 51, 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. He is a member of the Municipal Securities Rulemaking Board, the Governor's Consultants Advisory Panel on School Finance and the Governor's Panel on the Future of Government in New York. Mr. Netzer, 50, is a resident of New York City.

ANDREW P. STEFFAN. Mr. Steffan is a Vice President in the Corporate Finance Department of Smith Barney, Harris Upham & Co. From 1972 until 1976 he was on the staff of the Securities and Exchange Commission and became the Agency's Director of Economic Policy Research. He is a member of the Executive Committee of the New York District of the Securities Industry Association. Mr. Steffan, 40, is a resident of New York City.

ROBERT C. WEAVER. Dr. Weaver is Distinguished Professor Emeritus of Urban Affairs at Hunter College since 1970. From 1966 through 1968, he was Secretary of the United States Department of Housing and Urban Development and from 1968 through 1970 was President of Bernard M. Baruch College. He is a Trustee of the Metropolitan Life Insurance Co. and the Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver, 70, is a resident of New York City.

ZANE KLEIN, Representative. Mr. Klein has been a member of the law firm of Berlack, Israels & Liberman, New York, New York, since 1968. He is a member of the City Comptroller's Technical Debt Management Committee and a member of the Advisory Committee to the City Office of Telecommunications. He has also served on advisory panels with respect to equity and real estate investments of the employee pension systems of the City and is active in civic and community affairs. Mr. Klein, 41, 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 Securities Mutual Life Insurance Company of New York and the New York State Council on the Arts and of the Council of the National Municipal League. From 1972 to 1973 he was a member of the Governor's Task Force on Financing Higher Education in New York State. Mr. Kresky serves as an observer to the Control Board. Mr. Kresky, 54, is a resident of New York City.

JULES V. LANE, D.D.S., Representative. Dr. Lane is president and Chairman of the Board of the American Medical Insurance Company in Hicksville, New York which was formed in 1964. He is Vice President of Lisadent, Inc., President of Lane Brokerage and Jules and Linda Lane Realty Company. Dr. Lane is a board member of the Century National Bank and Trust Company, member of the Board of Governors of the New York Cardiac Center and Membership Chairman of the Young Presidents Organization. Dr. Lane, 48, lives in Sands Point, New York.
LEONARD NADEL, Representative. Mr. Nadel, who was Senior Vice President of Abraham & Strauss, a division of Federated Department Stores, Inc., until March 1978, had established his own management consulting firm, Leonard Nadel Associates Inc., in New York City in April 1978. He is Chairman of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish-Hillside Medical Center, Vice-Chairman of the Downtown Brooklyn Development Association and he was President of the Brooklyn Chamber of Commerce. Mr. Nadel, 57, is a resident of Roslyn, New York.

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

SANFORD I. WEILL, Representative. Mr. Weill is Chairman and Chief Executive Officer of Shearson Hayden Stone, Inc., an international investment banking firm, of which he was a founder in 1960. He has served as a director of numerous corporations and currently is on the Board of the Arlen Realty & Development Corp. He is a member of the New York Society of Security Analysts, Midwest Stock Exchange, Chicago Board of Trade and Young Presidents Organization, Inc. In January 1976, he was appointed by the Governor of New York to the Securities Industry Task Force. He is a member of the President's Council of Brandeis University. Mr. Weill, 45, is a resident of New York City.

EUGENE KELLIN, Executive Director. Mr. Kellin, Executive Director of the Corporation, was employed by the City from 1971 until he joined the Corporation on October 1, 1976. From 1973 to 1975 he served as General Counsel of the City's Office of Management and Budget and from 1975 to October 1976 he was counsel to the City's first Deputy Mayor for Finance. Prior to his employment by the City, Mr. Kellin was associated with the New York law firm of Sage, Gray, Todd & Sims. Mr. Kellin, 36, 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.

PART 14—LITIGATION

The Corporation is not party to any litigation. Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions. Recent court actions have upheld the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations.

Although the Corporation is not a party to the following actions, such actions relate to the 1978 Amendments.
On June 5, 1978, the president of the Patrolmen's Benevolent Association of the City of New York (the "PBA"), on behalf of the membership of the PBA, commenced an action in State Supreme Court against the State, the City, and the City's Office of Collective Bargaining, seeking an injunction against the enforcement of an act of June 2, 1978 (Chapter 201 of the Laws of 1978) ("Chapter 201"), including most of the 1978 Amendments, on the grounds, among others, that it violates both the due process and equal protection clauses of the State and Federal Constitutions and that it was enacted in a procedurally defective manner. Chapter 201 also includes amendments to the Emergency Act and to a number of other laws relating to the City's finances. See "PART 1—INTRODUCTION—Recent Legislation Related to the Corporation" and "PART 10—Legislation and Agreements Relating to the Debt Issuance Plan."

The plaintiffs' attack on Chapter 201 is directed primarily at the section of Chapter 201 which amends the statutory procedures in the Emergency Act for the settlement of deadlocked contract negotiations between the City and its employees and requires that the City's ability to pay any settlement within the tax structure then in effect be considered by the arbitrator. Plaintiffs have argued, in part, that the whole of Chapter 201 is invalid because it is a "special" law "in relation to the property, affairs, or government" of New York City that was not enacted in accordance with the so-called "home rule" procedural requirements of the State Constitution.

Although the Corporation is not a party to this action, an adverse decision with respect to the validity of Chapter 201 as a whole or in part in any material respect would result in an event of default under the Guarantee Agreement thereby authorizing the United States to exercise its rights pursuant to the terms of that agreement. In addition, such a decision would be likely to seriously impair the ability of the Corporation and of the City to implement the Debt Issuance Plan. A decision invalidating only the specifically challenged section of Chapter 201 might jeopardize the City's ability to adhere to balanced budgets and thus threaten the successful implementation of the Debt Issuance Plan.

On June 5, 1978, plaintiffs' application for a temporary restraining order was denied, plaintiff's motion for a preliminary injunction, on which the Corporation filed a brief in opposition as amicus curiae, was submitted in September 1978. A decision on such motion and on the defendants' cross motions to dismiss and for summary judgment is pending.

In addition, on August 17, 1978, David Basile, on behalf of himself and all other police officers of the City similarly situated, commenced an action in State Supreme Court against the PBA and the City seeking injunctive and declaratory relief with respect to the enforcement of a two-year labor contract executed by and between the City and the PBA on the ground, among others, that the enactment of the collective bargaining provisions of Chapter 201 "served to unconstitutionally chill the right of defendant PBA to invoke the provisions of Section 209 of the Civil Service Law" (dealing with the resolution of disputes in the course of collective bargaining).

PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

Following is a summary of certain provisions of the Second General Bond Resolution (herein referred to as the "Resolution"). The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Resolution, to which reference is hereby made and copies of which are available from the Corporation. The Capital Reserve Aid Fund is referred to hereinafter as the "Capital Reserve Fund."

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 Resolution for such purposes, any unpaid and matured amounts of principal and interest on the Bonds or such larger amounts as may hereafter be authorized pursuant to the Act as amended from time to time.

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

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

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

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

"Outstanding", when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Resolution, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106 of the Resolution, and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401 of the Resolution.

"Outstanding Note Resolutions" shall mean those 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, as the same may be amended from time to time.

"Redemption Price" shall mean, with respect to any Bonds, 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 such Bonds were 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.

* No such Outstanding Notes are presently outstanding.
"Serial Bonds" shall mean the Bonds so designated in a Series Resolution.

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

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

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

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

"State" shall mean the State of New York.

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

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

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

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

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

Authorization of Bonds

The Resolution creates an issue of Bonds which are general obligations of the Corporation and are secured by the pledge of the revenues of the Corporation and the moneys and securities in the Bond Service Fund and Capital Reserve Fund as described in "PART 5—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 additional Series of Bonds 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 such other taxes shall
be taken into account in such certification by increasing or decreasing the estimated amount of
Sales Tax, Stock Transfer Tax or such other taxes to be levied and collected. In the event the
Sales Tax or such other taxes have not been in effect for 12 calendar months said Commissioner
shall use, respectively, collections of the sales and compensating use taxes previously imposed by
the City or collections of the tax similarly based to the other taxes referred to above if such tax was
previously imposed by the City as the amount to be certified in lieu of actual collections of the
Sales Tax or other taxes, for those months the Sales Tax or other taxes were not in effect;

(2) A certificate by 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 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 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 Effect 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

62
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), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor, with a copy of such Certificate 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 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 the Corporation 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, such Chairman shall certify a revised schedule of cash requirements for such Fiscal Year to the State Comptroller and to the Mayor. The schedule accompanying each certification (or revision thereof) shall provide for such payment dates as the Corporation deems appropriate to assure that sufficient funds will be available to meet
the obligations of the Corporation as they become due. The Chairman shall exclude from consideration in making any such certification with respect to the funds required by the Corporation for payment of principal or interest on the Bonds, any amounts due to be received as payment of principal or interest on obligations of the City held by the Corporation. See “PART 5—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. Except to the extent otherwise provided in Section 601, 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 in 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 “PART 12—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, 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 Section 304 and Sections 306 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 therein 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 202 after making the deductions provided in subparagraphs 3(a) and 3(c) to be less than 1.2 times such aggregate amount set forth in paragraph 3(b) of subsection 3 of Section 202 for each Fiscal Year set forth pursuant to said paragraph 3(b) if such certifications required to be made pursuant to such subsection 3 had been made at the time of the issuance of such Bonds, Notes or other Obligations.

The Corporation 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. Except as provided in Section 909, 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 Fund; 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 (c) or (d) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds; or

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

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

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

(Resolution, Section 1202)

Remedies

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

(Resolution, Section 1201)

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202 of the Resolution, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c), (d), (e), (f), (g) or (h) of said Section, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its
rights and the rights of the Bondholders by such one or more of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

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

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

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

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

(Resolution, Section 1203)

Priority of Payments After Default

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

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

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

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

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons.

(Resolution, Section 1204)

Series Resolutions and Supplemental Resolutions

A Series Resolution or Supplemental Resolution of the Corporation may be adopted at any time or from time to time, for any one or more of the following purposes: to provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed; to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution of the Revenues, or of any other moneys, securities or funds; to modify any of the provisions of the Resolution or any previously adopted Series Resolution in any other respects, provided that such modification shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution 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 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 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 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 to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with Section 1401 of the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, on said Bonds. Neither direct obligations of the United States of America or moneys deposited with the Trustee pursuant to Section 1401 of the Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent 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)

PART 16—TRUSTEE

United States Trust Company of New York (the “Trust Company”) is 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 First and Second General Bond 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 “PART 15—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, the Trust Company, which is a Commercial Bank and a party to the Financing Agreement, owns \$\text{ of First Resolution Bonds and } \$\text{ of Second Resolution Bonds for its own account, including 1978 Private Series Bonds purchased in November 1978 pursuant to the Financing Agreement. 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.}

**PART 17—LEGAL INVESTMENT**

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

**PART 18—TAX EXEMPTION**

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 Bonds is exempt from Federal income taxes, and shall at all times be free from State and City income taxes.

**PART 19—LEGAL OPINIONS**

All legal matters incident to the authorization, issuance, sale and delivery of the 1978 Series 10 Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. The approving opinion of Bond Counsel 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.

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

**PART 20—UNDERWRITING**

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1978 Series 10 Bonds from the Corporation at a discount equal to \% from the initial public offering price. The underwriters may offer to sell such 1978 Series 10 Bonds to certain dealers and others at prices lower than the initial public offering price and the public offering price may be changed from time to time by the underwriters. The Corporation has agreed to indemnify the underwriters against certain liabilities.

Commercial Banks, some of which are also underwriters, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others. However, such banks and the Pension Funds have agreed not to sell, offer to sell, or otherwise dispose of any of the Private Series Bonds to be received by them pursuant to the Financing Agreement for a period of \text{ days after delivery of the 1978 Private Series Bonds, without the consent of the Corporation and the underwriters.}
PART 21—FINANCIAL STATEMENTS

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 of the Corporation for the quarter ended September 30, 1978 are annexed hereto. The accompanying statements for the quarter ended September 30, 1978 do not give effect to the receipt of $68.9 million and $51.0 million of sales tax allocations certified to and paid to the Corporation by the State from the Municipal Assistance Tax Fund on October 12, 1978 for the purposes provided in the First and Second General Bond Resolutions, respectively.

*   *   *

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 Federal Guarantee Act, the Pension Legislation, the Emergency Act, the 1978 Amendments, the Tax Law, the Finance Law, the Agreements, the First and Second General Bond Resolutions, and Series Resolutions promulgated thereunder, are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such Acts, Laws, Agreements and Resolutions for full and complete statements of such provisions. Copies of such Acts, Laws, Agreements and Resolutions are available at the office of the Corporation.

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By

Chairman

73
REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

In our opinion, the accompanying Statement of Financial Position and the related Debt Service Fund, Capital Reserve Fund and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1978 and the Debt Service Fund, Capital Reserve Fund and Operating Fund transactions for the year then ended, in conformity with generally accepted accounting principles consistently applied. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

153 East 53rd Street
New York, N. Y. 10022
July 24, 1978

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

STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>Debt Service Fund</th>
<th>Operating Fund</th>
<th>Debt Service Fund</th>
<th>Operating Fund</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>$3,132,388,000</td>
<td></td>
<td>$3,132,388,000</td>
<td></td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>1,973,970,000</td>
<td></td>
<td>1,973,970,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BONDS PAYABLE:</strong></td>
<td>5,106,358,000</td>
<td></td>
<td>5,106,358,000</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>108,345,682</td>
<td></td>
<td>82,651,811</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$200,910</td>
<td></td>
<td>$405,855</td>
<td></td>
</tr>
<tr>
<td>Advances under First Instance Appropriation</td>
<td>713,426</td>
<td></td>
<td>735,538</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,134,841</td>
<td></td>
<td>1,470,443</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES:</strong></td>
<td>5,214,703,682</td>
<td>2,049,177</td>
<td>5,189,009,811</td>
<td>2,611,836</td>
</tr>
</tbody>
</table>

| **ASSETS:**             |                   |                |                   |                |
| Cash                   | 16,240            | 17,304         | 12,402            | 14,017         |
| Investments in marketable securities, at cost which approximates market value | 195,657,472 |                | 80,400,139 |                |
| Accrued interest on marketable securities | 2,090,711 |                | 959,126 |                |
| Capital Reserve Fund assets | 387,200,557 |                | 394,225,268 |                |
| Unexpended portion of allocated funds held by New York State |             |                | 2,980,616 | 6,780,026 |
| **TOTAL ASSETS:**      | 584,964,980       | 2,997,920      | 475,596,935       | 6,794,043      |
| Net funding require- | $4,629,738,702    | ($948,743)     | $4,713,412,876    | ($4,182,207)   |

F-2
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

DEBT SERVICE AND CAPITAL RESERVE FUND

STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
</tr>
<tr>
<td><strong>Debt Service Fund</strong></td>
<td><strong>Capital Reserve Fund</strong></td>
</tr>
<tr>
<td><strong>Capital Reserve Fund</strong></td>
<td><strong>Debt Service Fund</strong></td>
</tr>
</tbody>
</table>

Receipts:—

Principal amount of bonds and promissory notes issued ................................ $ 3,154,458,000

Less:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The City of New York notes received in exchange for Second General Resolution Bonds</td>
<td>819,230,000</td>
</tr>
<tr>
<td>First General Resolution Bonds refunded</td>
<td>1,549,583,000</td>
</tr>
<tr>
<td>Deposit for defensiveness</td>
<td>243,381,175</td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>10,673,825</td>
</tr>
<tr>
<td>Net proceeds from issuance of bonds and notes</td>
<td>531,590,000</td>
</tr>
</tbody>
</table>

Transfer to Capital Reserve Fund ................................ (196,100,000) $196,100,000

Sales tax allocations received from the State of New York .................................. 328,800,000

Per capita aid received from the State of New York .................................................. 337,000,000

Interest adjustment pursuant to Restructuring Agreement ........................................ 1,966,228

Accrued interest received on issuance of bonds ...................................................... 1,034,132

Income from investments ................................ .................................................. 9,663,394

Interest received on obligations of The City of New York .................................... 23,256,454

Total receipts ................................ ..................................... 1,090,135,410 219,356,454

Expenditures:—

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursements to The City of New York</td>
<td>380,641,989</td>
</tr>
</tbody>
</table>

Debt Service:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal repayment on First General Resolution Bonds</td>
<td>55,465,000</td>
</tr>
<tr>
<td>Interest on First General Resolution Bonds</td>
<td>248,395,896</td>
</tr>
<tr>
<td>Principal repayment on Second General Resolution Bonds</td>
<td>35,745,000</td>
</tr>
<tr>
<td>Interest on Second General Resolution Bonds</td>
<td>149,838,162</td>
</tr>
<tr>
<td>Principal repayment on promissory notes</td>
<td>335,490,000</td>
</tr>
<tr>
<td>Interest on promissory notes</td>
<td>1,147,100</td>
</tr>
<tr>
<td>Total debt service ........................................ 824,081,158</td>
<td></td>
</tr>
</tbody>
</table>

Total expenditures .................................. 1,204,723,147

Excess (deficiency) of receipts over expenditures:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the period .......................................... (114,587,737) 219,356,454</td>
<td></td>
</tr>
<tr>
<td>Transfer from Operating Fund</td>
<td>1,500,000</td>
</tr>
<tr>
<td>At beginning of period</td>
<td>202,506,478</td>
</tr>
<tr>
<td>At end of period</td>
<td>89,418,741</td>
</tr>
<tr>
<td>Principal amount of bonds payable</td>
<td>5,106,358,000</td>
</tr>
<tr>
<td>Balance</td>
<td>(5,016,929,259) 387,200,557</td>
</tr>
<tr>
<td>Net funding requirement</td>
<td>$4,629,738,702 $4,713,412,876</td>
</tr>
</tbody>
</table>

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

STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts:</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>$ 4,232,386</td>
</tr>
<tr>
<td></td>
<td>$ 4,406,500</td>
</tr>
</tbody>
</table>

Expenditures:

- **Debt issuance and service:**
  - Printing and public notices: 774,127
  - Legal services: 934,211
  - Trustee and related services: 640,744

  **Total:** 2,349,082

- **Oversight functions:**
  - Office of Special Deputy Comptroller: (1,094,615)
  - Financial Control Board: 532,815

  **Total:** (561,800)

- **General and administration:**
  - Salaries and benefits: 275,858
  - Other personnel services: 140,603
  - Accountancy services: 58,217
  - Office rental: 54,338
  - General office expenses: 32,493
  - Travel expenses: 6,727
  - Communications: 14,270
  - Data processing services: 52,653
  - Printing and distribution: 46,840

  **Total:** 681,999

**Total expenditures:** 2,469,281

**Excess of receipts over expenditures for the period:** 1,763,105

**Transfer to Debt Service Fund:** (1,500,000)

**Excess of receipts over expenditures at beginning of period:** 685,638

**Excess of receipts over expenditures at end of period:** $ 948,743 $ 4,182,207
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 1—Organization and Functions of the Corporation:

Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate 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 for purposes of assisting The City of New York (the "City") in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. Pursuant to said act, as amended (the "Act") to carry out such purposes, the Corporation, among other things, issues and sells bonds and notes and pays or loans funds received from such sales to the City and exchanges the Corporation's obligations for those of the City, each under conditions specified in the Act. Also pursuant to the Act, the Corporation provides for certain oversight of the City's financial activities.

Note 2—Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting. Receipts from tax allocations are recorded as received and disbursements to the City are recorded as made. Interest income on investments and interest expense on the Corporation's debt are recorded on the accrual basis. The Corporation's debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund and become part of net funding requirements. Amounts required for the payment of debt service due on July 1 and January 1 are accounted for as if paid on the immediately preceding June 30 and December 31, respectively, by which dates such amounts are segregated for that purpose by the Trustee under the bond resolutions. The net funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

The Operating Fund accounts have been prepared on the accrual basis of accounting. Receipts are recorded in the Operating Fund as allocations are approved by the State. Expenses of debt issuance and service are charged to the Operating Fund as incurred.

The Statement of Financial Position gives no recognition to obligations of the City held by the Corporation as described in Note 6. Interest on such obligations is credited if and when received.

Note 3—Bonds of the Corporation: Funding, Payment and Authorization:

Funding methods:

The Corporation funds its debt service requirements and operating expenses by receipt of allocations from the State's collection of sales tax (imposed by the State within the City at the rates formerly imposed by the City), the stock transfer tax and certain per capita aid, subject in each case to appropriation by the State Legislature. Net collections of taxes and per capita aid not required by the Corporation are available to the City.

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

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the special account in the State's Municipal Assistance Tax Fund, which is funded from revenues collected, less the State's charges for collection and administration, from the sales tax and, if necessary, the stock transfer tax. The net revenues from sales and stock transfer taxes which were collected by the State during the twelve months ended June 30, 1978 and September 30, 1978 amounted to $1,275 million and $1,329 million, respectively. Payments made to the Corporation from the Municipal Assistance Tax Fund are to be made quarterly and at such other times as the Corporation requests.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 3—Bonds of the Corporation: Funding, Payment and Authorization (Continued):

Debt service for obligations issued under the Second General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the special account in the Municipal Assistance State Aid Fund, which is funded from per capita state aid otherwise payable by the State to the City, and, after satisfying the debt service requirements for obligations issued under the First General Bond Resolution as described above, funds paid quarterly from the Municipal Assistance Tax Fund. Per capita aid is subject to prior claims asserted by certain other State or City entities; however, no such claims have been asserted since the inception of the Corporation. Total per capita aid paid into the Municipal Assistance State Aid Fund on June 25, 1978 amounted to $434 million.

The Corporation certified to and was paid on October 12, 1978, $68.9 million and $51.0 million of sales tax revenues from the Municipal Assistance Tax Fund for First and Second General Bond Resolution purposes, respectively.

Payment dates:

Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semiannually on February 1 and August 1 for bonds outstanding under the First General Bond Resolution. Principal payments at maturity or mandatory sinking fund calls are made July 1 and interest is paid semiannually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution.

Debt authorization:

The Corporation is authorized by the Act to issue obligations in an aggregate principal amount of $8,800 million, exclusive of obligations issued to refund outstanding obligations of the Corporation and notes issued to enable the City to fulfill its seasonal borrowing requirements. Pursuant to the Act new obligations of the Corporation may mature up to 30 years from the date of original issue but in no event later than July 1, 2008 and no new obligation may be issued after June 30, 1982, except to renew or refund outstanding obligations. Pursuant to various resolutions of the Corporation no obligations may be issued if their issuance would cause certain debt service limitations and debt service coverage ratios to be exceeded.

The Corporation is participating in discussions to implement a debt issuance plan required in connection with the Four-Year Financial Plan developed for The City of New York. It is currently contemplated that in furtherance of the debt issuance plan the Corporation will issue in excess of $2 billion of its bonds and notes during the next four years commencing during the quarter ending December 31, 1978, all in accordance with the above stated limitations.

Note 4—Capital Reserve Fund:

The Act provides for the establishment of a Capital Reserve Fund to provide security for payment of interest on and principal of the Corporation's bonds. The amount required to be on deposit in the Capital Reserve Fund for any calendar year is a fixed percentage of principal (including sinking fund installments) and interest maturing or otherwise due or becoming due on outstanding bonds during a specified calendar year. For 1978, 1979 and 1980 the percentages are 50%, 75% and 100% of such year's requirements, respectively. Following 1980, the percentage is 100% of the succeeding year's requirements.

Investments in the Capital Reserve Fund are recorded at amortized cost, which exceeded market value by approximately $29 million at June 30, 1978 and September 30, 1978. The Capital Reserve Fund balance at June 30, 1978 of $387,200,557 comprised $175,040,917 relating to First General Resolution Bonds and $212,159,640 relating to Second General Resolution Bonds. The Capital Reserve
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 4—Capital Reserve Fund (Continued):

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 18,585</td>
<td>$ 696</td>
</tr>
<tr>
<td>U.S. Treasury Bonds and Notes maturing through May 1990</td>
<td>196,874,798</td>
<td>196,730,180</td>
</tr>
<tr>
<td>Other permitted investments maturing through November 1993</td>
<td>182,839,046</td>
<td>187,798,230</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>7,468,128</td>
<td>9,696,162</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$387,200,557</strong></td>
<td><strong>$394,225,268</strong></td>
</tr>
</tbody>
</table>

Note 5—Investments in Marketable Securities:

Debt service funds paid to the Corporation in advance of disbursement to bondholders are temporarily invested for the Corporation by the Trustee under the bond resolutions, and the income therefrom is credited to the Debt Service Fund. Proceeds of debt issues may also be temporarily invested for the Corporation by the Trustee.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Bills maturing through July 1978</td>
<td>$ 2,301,358</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Notes maturing through January 1979</td>
<td>73,038,114</td>
<td>$ 28,917,111</td>
</tr>
<tr>
<td>Other permitted investments maturing through January 1979</td>
<td></td>
<td>42,729,028</td>
</tr>
<tr>
<td>Repurchase Agreements maturing through:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1978</td>
<td>120,318,000</td>
<td></td>
</tr>
<tr>
<td>October 1978</td>
<td></td>
<td>8,754,000</td>
</tr>
<tr>
<td><strong>Total Debt Service Fund investments</strong></td>
<td><strong>$195,657,472</strong></td>
<td><strong>$80,400,139</strong></td>
</tr>
</tbody>
</table>

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

As a result of certain exchanges and payments to the City, at June 30, and September 30, 1978, the Corporation held $4,236 million of notes of the City. It is the Corporation's present intention that City notes held will not be presented for payment of principal or interest, except that bond anticipation notes held by the Corporation will be presented for payment of interest and that certain bond anticipation notes may be exchanged for newly issued bond anticipation notes or bonds of The City of New York. During the quarters ended June 30, and September 30, 1978 the Corporation received approximately $76.2 million and $11.2 million, respectively, from the City as payment of interest due on bond anticipation notes held by the Corporation. Any amounts received as payment on City notes have the effect of reducing the amounts to be funded from the Corporation's other sources. The Corporation, in making its certification for funds, is required to exclude from consideration any amounts it expects to receive as payment on City notes until such amounts are received. Accordingly, the City notes held have not been included in the accompanying Statement of Financial Position.

F-7
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 7—Operating Fund:

The Operating Fund provides for the expenses of carrying out the Corporation’s duties and functions, as authorized by the Act. The Operating Fund is funded from the special account in the Municipal Assistance Tax Fund. The amount certified to for Operating Fund purposes for the 1978 fiscal year of the Corporation was $7 million.

For the fiscal year ended June 30, and the quarter ended September 30, 1978, $4,232,386 and $4,406,500, respectively, of funds from the State had been allocated to the Corporation for Operating Fund purposes. At September 30, 1978, $4,271,539 of funds allocated in fiscal year 1979 and $2,191,092 allocated in previous fiscal years had not been expended and were held for the Corporation’s account by the State.

In addition, the Corporation may request and utilize repayable First Instance Appropriations from the State. The amount of these appropriations remaining to be repaid to the State from operating expense apportionments was $713,246 at June 30, 1978 and $735,538 at September 30, 1978.

Expenditures are processed for payment by the State Department of Audit and Control. The accompanying financial statements do not include any expenses for the Corporation’s Financial Advisor which is serving without compensation.

Pursuant to an agreement among the Corporation, the City, the New York State Office of the Special Deputy Comptroller for The City of New York (the “OSDC”) and the State Comptroller, the Corporation has no liability for expenses related to the OSDC services for the period June 10, 1975 to December 31, 1977. Accordingly, a reduction in the applicable expense and estimated liability accounts of $2,429,613 has been recognized during the 1978 fiscal year representing expenses accrued for the OSDC services which will not be payable.

On January 31, 1978, the Corporation made a permanent transfer of $1,500,000 from the Operating Fund to the Debt Service Fund.

Note 8—Litigation:

Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions.

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 OSDC and the Emergency Financial Control Board. To avoid duplication of efforts, the Corporation has contracted for the OSDC to provide certain services for the oversight of the City’s financial affairs. The accompanying financial statements include a provision for the Corporation’s estimate of the amount payable to the OSDC for services pursuant to the contract as amended.

In addition, the Corporation has contracted for other oversight services to be performed by the staff of the Emergency Financial Control Board, renamed in recently enacted legislation the Financial Control Board ("FCB"), at an annual cost not to exceed $550,000. Recently enacted legislation provides that the Corporation fund the operations of the FCB; it is expected that a new agreement will be entered into between the Corporation and the FCB to implement this provision.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 10—Refunding and Deceasance of 1975 Series B Bonds:

On January 10, 1978, the Corporation issued its 1978 Series JJ Bonds in the aggregate principal amount of $250,155,000. Substantially all of the net proceeds of the issue were invested in direct obligations of the United States of America which are held in trust with the United States Trust Company of New York. The proceeds held in trust and the income from investment thereof are sufficient to pay principal and interest when due on the 1975 Series B Bonds. As a result, the 1975 Series B Bonds are deemed to have been paid within the meaning of the First General Bond Resolution and are therefore no longer presented as a liability of the Corporation.

Note 11—Promissory Notes, 1978 Series:

On June 9, 1978 the Corporation issued $335,490,000 principal amount of Promissory Notes due June 30, 1978 to certain New York City Pension Funds. The proceeds of such sale were paid immediately to the City. The Corporation prepaid principal of and interest on such notes on June 29, 1978 in full satisfaction of its obligations.

F-9
# EXHIBIT I

## MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

### BONDS OUTSTANDING

**(In thousands)**

**September 30, 1978**

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption date</th>
<th>Interest rate</th>
<th>Principal June 30, 1978</th>
<th>Principal September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First General Resolution Bonds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>February 1979-1990</td>
<td>7.5%-9.25%</td>
<td>$470,260</td>
<td>$470,260</td>
</tr>
<tr>
<td>G</td>
<td>1979-1985</td>
<td>9.5%-11%</td>
<td>42,210</td>
<td>42,210</td>
</tr>
<tr>
<td>J</td>
<td>1984-1985</td>
<td>11%</td>
<td>1,090</td>
<td>1,090</td>
</tr>
<tr>
<td>M</td>
<td>1980-1995</td>
<td>10%-11%</td>
<td>81,050</td>
<td>81,050</td>
</tr>
<tr>
<td>O</td>
<td>1990-1994</td>
<td>11%</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>U</td>
<td>1986-1990</td>
<td>11%</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>X</td>
<td>1991-1994</td>
<td>11%</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Y</td>
<td>1981</td>
<td>10%</td>
<td>20,850</td>
<td>20,850</td>
</tr>
<tr>
<td>BB</td>
<td>1979-1986</td>
<td>6%</td>
<td>110,940</td>
<td>110,940</td>
</tr>
<tr>
<td>CC</td>
<td>1984-1993</td>
<td>10.25%</td>
<td>256,250</td>
<td>256,250</td>
</tr>
<tr>
<td>EE</td>
<td>1991-1995</td>
<td>7.5%</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>FF</td>
<td>1986</td>
<td>7.5%</td>
<td>53,475</td>
<td>53,475</td>
</tr>
<tr>
<td>GG</td>
<td>1987</td>
<td>8%</td>
<td>70,200</td>
<td>70,200</td>
</tr>
<tr>
<td>HH</td>
<td>1988-1995</td>
<td>7.5%</td>
<td>1,414,738</td>
<td>1,414,738</td>
</tr>
<tr>
<td>II</td>
<td>1987</td>
<td>7.5%</td>
<td>11,170</td>
<td>11,170</td>
</tr>
<tr>
<td>JJ</td>
<td>1982-1995</td>
<td>7.25%-8.25%</td>
<td>250,155</td>
<td>250,155</td>
</tr>
<tr>
<td><strong>Total First Resolution</strong></td>
<td></td>
<td></td>
<td><strong>3,132,388</strong></td>
<td><strong>3,132,388</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption date</th>
<th>Interest rate</th>
<th>Principal July 1, 1978</th>
<th>Principal September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Second General Resolution Bonds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1979-1986</td>
<td>8%</td>
<td>77,205</td>
<td>77,205</td>
</tr>
<tr>
<td>2</td>
<td>1979-1986</td>
<td>8%</td>
<td>164,535</td>
<td>164,535</td>
</tr>
<tr>
<td>3</td>
<td>1979-1986</td>
<td>8%</td>
<td>67,555</td>
<td>67,555</td>
</tr>
<tr>
<td>4</td>
<td>1979-1986</td>
<td>8%</td>
<td>84,085</td>
<td>84,085</td>
</tr>
<tr>
<td>5</td>
<td>1982-1991</td>
<td>8%</td>
<td>139,860</td>
<td>139,860</td>
</tr>
<tr>
<td>6</td>
<td>1982-1991</td>
<td>8%</td>
<td>18,215</td>
<td>18,215</td>
</tr>
<tr>
<td>8</td>
<td>1980-1992</td>
<td>7.5%</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>9</td>
<td>1980-1992</td>
<td>7.5%</td>
<td>819,230</td>
<td>819,230</td>
</tr>
<tr>
<td><strong>Total Second Resolution</strong></td>
<td></td>
<td></td>
<td><strong>1,973,970</strong></td>
<td><strong>1,973,970</strong></td>
</tr>
<tr>
<td><strong>Total bonds outstanding</strong></td>
<td></td>
<td></td>
<td><strong>$5,106,358</strong></td>
<td><strong>$5,106,358</strong></td>
</tr>
</tbody>
</table>

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

SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS

September 30, 1978
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30.</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
<th>Capital Reserve Fund Contributions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$ 311,836†</td>
<td>$ 195,703†</td>
<td>$ 507,539†</td>
<td>$ 53,471†</td>
<td>$ 561,010†</td>
</tr>
<tr>
<td>1980</td>
<td>314,747</td>
<td>221,319</td>
<td>536,066</td>
<td>103,388</td>
<td>639,454</td>
</tr>
<tr>
<td>1981</td>
<td>303,083</td>
<td>220,614</td>
<td>523,697</td>
<td>1,298</td>
<td>524,995</td>
</tr>
<tr>
<td>1982</td>
<td>337,565</td>
<td>230,492</td>
<td>568,057</td>
<td>74,839</td>
<td>642,896</td>
</tr>
<tr>
<td>1983</td>
<td>376,356</td>
<td>253,715</td>
<td>630,071</td>
<td>(1,338)</td>
<td>628,733</td>
</tr>
<tr>
<td>1984</td>
<td>352,738</td>
<td>253,781</td>
<td>606,519</td>
<td>(44,474)</td>
<td>562,045</td>
</tr>
<tr>
<td>1985</td>
<td>353,662</td>
<td>252,761</td>
<td>606,423</td>
<td>48,977</td>
<td>655,400</td>
</tr>
<tr>
<td>1986</td>
<td>374,387</td>
<td>253,749</td>
<td>628,336</td>
<td>(7,270)</td>
<td>621,066</td>
</tr>
<tr>
<td>1987</td>
<td>372,257</td>
<td>256,646</td>
<td>628,903</td>
<td>(631)</td>
<td>628,272</td>
</tr>
<tr>
<td>1988</td>
<td>375,283</td>
<td>254,221</td>
<td>629,504</td>
<td>1,411</td>
<td>630,915</td>
</tr>
<tr>
<td>1989</td>
<td>376,167</td>
<td>251,719</td>
<td>627,886</td>
<td>(3,499)</td>
<td>624,387</td>
</tr>
<tr>
<td>1990</td>
<td>374,124</td>
<td>248,359</td>
<td>622,483</td>
<td>8,819</td>
<td>631,302</td>
</tr>
<tr>
<td>1991</td>
<td>373,160</td>
<td>250,428</td>
<td>623,588</td>
<td>(1,337)</td>
<td>622,251</td>
</tr>
<tr>
<td>1992</td>
<td>369,343</td>
<td>261,358</td>
<td>630,701</td>
<td>(274,649)</td>
<td>356,052</td>
</tr>
<tr>
<td>1993</td>
<td>365,501</td>
<td>365,501</td>
<td>731,001</td>
<td>69</td>
<td>365,570</td>
</tr>
<tr>
<td>1994</td>
<td>361,117</td>
<td>361,117</td>
<td>722,234</td>
<td>(9,048)</td>
<td>353,186</td>
</tr>
<tr>
<td>1995</td>
<td>178,382</td>
<td>178,382</td>
<td>356,764</td>
<td>(344,251)</td>
<td>162,513</td>
</tr>
<tr>
<td>Total</td>
<td>$5,869,908</td>
<td>$3,404,865</td>
<td>$9,274,773</td>
<td>($394,225)</td>
<td>$8,880,548</td>
</tr>
</tbody>
</table>

† The fiscal year 1979 funding requirements do not give effect to the moneys received on October 12, 1978 (Note 3).
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SUMMARY OF TOTAL ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS

September 30, 1978
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30,</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$ 173,756</td>
<td>$ 79,940</td>
<td>$ 253,696</td>
</tr>
<tr>
<td>1980</td>
<td>321,869</td>
<td>194,972</td>
<td>516,841</td>
</tr>
<tr>
<td>1981</td>
<td>307,624</td>
<td>220,039</td>
<td>527,663</td>
</tr>
<tr>
<td>1982</td>
<td>298,542</td>
<td>219,245</td>
<td>517,787</td>
</tr>
<tr>
<td>1983</td>
<td>376,587</td>
<td>228,811</td>
<td>605,398</td>
</tr>
<tr>
<td>1984</td>
<td>376,125</td>
<td>251,309</td>
<td>627,434</td>
</tr>
<tr>
<td>1985</td>
<td>329,351</td>
<td>251,169</td>
<td>580,520</td>
</tr>
<tr>
<td>1986</td>
<td>377,974</td>
<td>249,947</td>
<td>627,921</td>
</tr>
<tr>
<td>1987</td>
<td>371,200</td>
<td>250,676</td>
<td>621,876</td>
</tr>
<tr>
<td>1988</td>
<td>373,315</td>
<td>253,343</td>
<td>626,658</td>
</tr>
<tr>
<td>1989</td>
<td>377,251</td>
<td>250,690</td>
<td>627,941</td>
</tr>
<tr>
<td>1990</td>
<td>375,083</td>
<td>247,940</td>
<td>623,023</td>
</tr>
<tr>
<td>1991</td>
<td>373,165</td>
<td>244,330</td>
<td>617,495</td>
</tr>
<tr>
<td>1992</td>
<td>373,155</td>
<td>246,021</td>
<td>619,176</td>
</tr>
<tr>
<td>1993</td>
<td>365,531</td>
<td>256,404</td>
<td>621,935</td>
</tr>
<tr>
<td>1994</td>
<td>365,471</td>
<td></td>
<td>365,471</td>
</tr>
<tr>
<td>1995</td>
<td>356,763</td>
<td></td>
<td>356,763</td>
</tr>
<tr>
<td>Total</td>
<td>$5,892,762</td>
<td>$3,444,836</td>
<td>$9,337,598</td>
</tr>
</tbody>
</table>

F-12
EXHIBIT B

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

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

November 1978

DEAR SIRS:

We have examined a record of proceedings relating to the issuance of $125,000,000 aggregate principal amount of 1978 Series 10 Bonds (the "1978 Series 10 Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the "Act").

The 1978 Series 10 Bonds are authorized and issued under and pursuant to the Act and the Second General Bond Resolution of the Corporation, adopted November 25, 1975, as supplemented to the date hereof (the "Second General Bond Resolution"), and the 1978 Series 10 Resolution, adopted November 1978 (the "Series Resolution"). Said resolutions are herein collectively called the "Resolutions".

The 1978 Series 10 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 Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation to limit the issuance of additional bonds. The 1978 Series 10 Bonds are being issued for the purpose of making deposits into the Capital Reserve Fund established pursuant to the Act and the Second General Bond Resolution.

The Corporation is authorized to issue Bonds, in addition to the 1978 Series 10 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1978 Series 10 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second General Bond Resolution.

The 1978 Series 10 Bonds are dated November 15, 1978 except as otherwise provided in the Resolution with respect to fully registered 1978 Series 10 Bonds, will bear interest at the rate of per centum ( %) per annum from November 15, 1978 payable July 1, 1979 and semi-annually thereafter on January 1 and July 1 in each year and will mature on July 1, 2008.

The 1978 Series 10 Bonds are issued either in coupon form in the denomination of $5,000, registrable as to principal only, or in fully registered form without coupons in the denomination of $5,000 or an integral multiple thereof. Coupon and fully registered 1978 Series 10 Bonds are interchangeable as provided in the Resolutions. Coupon 1978 Series 10 Bonds are numbered 10- and fully registered 1978 Series 10 Bonds are lettered and numbered 10R-. Coupon 1978 Series 10 Bonds and fully registered 1978 Series 10 Bonds are numbered consecutively from one upward in order of issuance.

The 1978 Series 10 Bonds are subject to redemption, in part, as provided in the Resolutions, by operation of the Bond Service Fund through application of Sinking Fund Installments as defined
in the Second General Bond Resolution and in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each 1978 Series 10 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the 1978 Series 10 Bonds are subject to redemption at the election of the Corporation on and after July 1, 1988, as a whole on any date or in part, by lot, on any interest payment date, at the redemption prices (expressed as percentages of the principal amount), plus accrued interest, if any, to the date of redemption, as set forth in the Series Resolution.

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, the insertion 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 of New York, New York ("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 8 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 1978 Series 10 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1978 Series 10 Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the
United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the 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, except for the covenant on behalf of the State required to be set forth in each 1978 Series 10 Bond pursuant to Chapter 201 of the Laws of New York of 1978 (the “State Covenant”) as to which a separate opinion has been rendered on the date hereof, 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 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 subject to the pledge and lien created by the Resolutions.

3. The 1978 Series 10 Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The 1978 Series 10 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, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally, and, except as otherwise set forth with respect to the State Covenant as to which a separate opinion has been rendered on the date hereof, 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, 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 such term is defined in the Second General Bond Resolution), the Tax Assistance Fund into which is paid the Sales Tax, and to the extent required, out of the Stock
Transfer Tax Fund, the Stock Transfer Tax. The amount of per capita aid payable to The City and available for apportionment and payment from the General Fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds to the Corporation are subject to annual appropriation for such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate any such amounts so certified by the Chairman, as aforesaid.

6. The 1978 Series 10 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 1978 Series 10 Bonds be payable out of any funds other than those of the Corporation.

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

(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; and

(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 and the Special Tax Account within the Tax Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or accounts.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the per capita aid referred to hereinbefore or the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) wherein a creditor of The City or The City seeks to assert 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, neither The City nor such creditor will 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 applicable to 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 1978 Series 10 Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

11. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the 1978 Series 10 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1978 Series 10 Bonds, and the execution and delivery of the 1978 Series 10 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 1978 Series 10 Bond numbered 10-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 12 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.

$60,375,000

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

% 1978 SERIES 12 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Due July 1, 1998

This Supplement to the Official Statement dated November 16, 1978 (the "Official Statement") of the Municipal Assistance Corporation For The City of New York (the "Corporation") is provided for the purpose of setting forth information with respect to the Corporation's 1978 Series 12 Bonds, which are to be purchased by certain City Pension Funds pursuant to the Financing Agreement, as more fully described in the Official Statement.

Principal of and interest on the 1978 Series 12 Bonds are payable at the corporate trust office of , New York, New York, or at the option of the holder at any City Pension Fund, payment of the interest on fully registered 1978 Series 12 Bonds will be made pursuant to the Financing Agreement by check or wire transfer to such City Pension Fund without presentation of the 1978 Series 12 Bonds and without any notation of such payment being required. Interest on the 1978 Series 12 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 12 Bonds will be issued as coupon bonds in the denomination of $5,000 or $100,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 12 Bonds, see "PART I---INTRODUCTION" and the references included therein.

The 1978 Series 12 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot on any interest payment date or dates, at an redemption price of 121% of the principal amount thereof, and from mandatory sinking fund installments on and after July 1, 1985, at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date, pursuant to the following schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
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<th>Sinking Fund Installment</th>
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<tr>
<td>1985</td>
<td>$2,055,000</td>
<td>1992</td>
<td>$5,285,000</td>
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<tr>
<td>1986</td>
<td>2,940,000</td>
<td>1993</td>
<td>6,470,000</td>
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<td>1994</td>
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<td>1988</td>
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<td>1995</td>
<td>9,455,000</td>
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<td>1989</td>
<td>5,015,000</td>
<td>1996</td>
<td>885,000</td>
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<td>1990</td>
<td>5,300,000</td>
<td>1997</td>
<td>875,000</td>
</tr>
<tr>
<td>1991</td>
<td>5,300,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$60,375,000 % Term Bonds due July 1, 1998 @ %

(Accrued interest to be added)

The average life of the 1978 Series 12 Bonds is approximately 13.1 years

This Supplement must be read in conjunction with the Official Statement to which this Supplement is attached. Such Official Statement relates to the Corporation's 1978 Series 10 Bonds. The 1978 Series 12 Bonds will be sold to certain of the City Pension Funds pursuant to the Financing Agreement.
PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 1978

NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 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.

$125,000,000

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

1978 SERIES 10 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Principal of and interest on the 1978 Series 10 Bonds are payable at the corporate trust office of New York, New York, or at the option of the holder at

unless registered. Interest on the 1978 Series 10 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 10 Bonds, see "PART 1—INTRODUCTION" and the references included therein.

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part on any interest payment date or dates, at an initial redemption price of 102% of the principal amount thereof, and from mandatory sinking fund installments, at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date, all as more fully described herein.

The Trustee under the Second General Bond Resolution (pursuant to which the 1978 Series 10 Bonds are to be issued) is United States Trust Company of New York.

% Term Bonds due July 1, 2008

Price  %

(Accrued interest to be added)

The 1978 Series 10 Bonds are payable from certain per capita State aid and, to the extent not required for payment of certain other obligations of the Corporation, including bonds issued under the Corporation's First General Bond Resolution, 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 such per capita State aid or to continue the imposition of such taxes or to make the necessary payments of such per capita State aid or the necessary appropriations of the revenues derived from such taxes. The Corporation has no taxing power. The 1978 Series 10 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 of or interest on the 1978 Series 10 Bonds.

The 1978 Series 10 Bonds are offered when, as and if issued by the Corporation and received by the Underwriters and subject to approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. It is expected that the 1978 Series 10 Bonds in definitive form will be available for delivery on or about November 30, 1978. At the option of any underwriter, delivery will be available at the Depository Trust Company, New York, New York.

The date of this Official Statement is November 10, 1978.
No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 1978 Series 10 Bonds or any other securities of the Municipal Assistance Corporation For The City of New York by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by such Corporation and by other sources which are believed to be reliable by such Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of such Corporation or of the State of New York or of The City of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE 1978 SERIES 10 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>The Corporation and the Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Recent Legislation Related to the Corporation</td>
<td>2</td>
</tr>
<tr>
<td>Debt Issuance Plan</td>
<td>2</td>
</tr>
<tr>
<td>Sales Under Debt Issuance Plan and Market Overhang</td>
<td>3</td>
</tr>
<tr>
<td>Additional Limitations on Bond Issuance</td>
<td>4</td>
</tr>
<tr>
<td>Payment of the Second Resolution Bonds</td>
<td>4</td>
</tr>
<tr>
<td>Per Capita Aid, Tax Revenues and Debt Service</td>
<td>5</td>
</tr>
<tr>
<td>Certain Factors</td>
<td>6</td>
</tr>
<tr>
<td>2. FOUR YEAR DEBT ISSUANCE PLAN</td>
<td>6</td>
</tr>
<tr>
<td>3. OUTSTANDING DEBT OF THE CORPORATION</td>
<td>8</td>
</tr>
<tr>
<td>4. USE OF PROCEEDS</td>
<td>8</td>
</tr>
<tr>
<td>5. PROVISIONS FOR PAYMENT OF THE BONDS</td>
<td>9</td>
</tr>
<tr>
<td>General</td>
<td>9</td>
</tr>
<tr>
<td>Appropriation By Legislature</td>
<td>12</td>
</tr>
<tr>
<td>Municipal Assistance State Aid Fund</td>
<td>13</td>
</tr>
<tr>
<td>Per Capita Aid</td>
<td>14</td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>15</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>16</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>20</td>
</tr>
<tr>
<td>Restoration of Capital Reserve Aid Fund</td>
<td>22</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>23</td>
</tr>
<tr>
<td>6. DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS</td>
<td>23</td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>23</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes Debt Service Requirements and Estimated Coverage Ratios</td>
<td>25</td>
</tr>
<tr>
<td>7. BONDS BEING OFFERED</td>
<td>28</td>
</tr>
<tr>
<td>Description of the Bonds</td>
<td>28</td>
</tr>
<tr>
<td>Additional Bonds and Notes</td>
<td>30</td>
</tr>
<tr>
<td>8. CERTAIN DEVELOPMENTS AFFECTING THE STATE Long-Term Trends</td>
<td>31</td>
</tr>
<tr>
<td>Financial Difficulties of Fiscal Years 1973 and 1976</td>
<td>32</td>
</tr>
<tr>
<td>Events During Fiscal Years 1977 and 1978</td>
<td>33</td>
</tr>
<tr>
<td>Potential Problems in Current and Subsequent Fiscal Years</td>
<td>33</td>
</tr>
<tr>
<td>9. CERTAIN DEVELOPMENTS AFFECTING THE CITY Financial Difficulties of 1975</td>
<td>37</td>
</tr>
<tr>
<td>Three Year Financial Plan: Fiscal Years 1976-1978</td>
<td>38</td>
</tr>
<tr>
<td>Four Year Financial Plan: Fiscal Years 1979-1982</td>
<td>40</td>
</tr>
<tr>
<td>Litigation</td>
<td>44</td>
</tr>
<tr>
<td>Expiration of Plan</td>
<td>44</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>45</td>
</tr>
<tr>
<td>10. LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN</td>
<td>45</td>
</tr>
<tr>
<td>State Legislation</td>
<td>46</td>
</tr>
<tr>
<td>Federal Guarantee Act</td>
<td>46</td>
</tr>
<tr>
<td>Pension Legislation</td>
<td>48</td>
</tr>
<tr>
<td>Financing Agreement</td>
<td>48</td>
</tr>
<tr>
<td>Guarantee Agreement</td>
<td>50</td>
</tr>
<tr>
<td>Seasonal Agreement</td>
<td>51</td>
</tr>
<tr>
<td>11. VARIOUS CONTROL PROGRAMS</td>
<td>51</td>
</tr>
<tr>
<td>Powers of the Corporation</td>
<td>52</td>
</tr>
<tr>
<td>Conditions to Payments to the City</td>
<td>52</td>
</tr>
<tr>
<td>Control Board</td>
<td>53</td>
</tr>
<tr>
<td>12. AGREEMENT OF THE STATE OF NEW YORK</td>
<td>54</td>
</tr>
<tr>
<td>13. MANAGEMENT</td>
<td>55</td>
</tr>
<tr>
<td>14. LITIGATION</td>
<td>58</td>
</tr>
<tr>
<td>15. SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION</td>
<td>59</td>
</tr>
<tr>
<td>16. TRUSTEE</td>
<td>71</td>
</tr>
<tr>
<td>17. LEGAL INVESTMENT</td>
<td>72</td>
</tr>
<tr>
<td>18. TAX EXEMPTION</td>
<td>72</td>
</tr>
<tr>
<td>19. LEGAL OPINIONS</td>
<td>72</td>
</tr>
<tr>
<td>20. UNDERWRITING</td>
<td>72</td>
</tr>
<tr>
<td>21. FINANCIAL STATEMENTS</td>
<td>73</td>
</tr>
<tr>
<td>Exhibit A—Audited Financial Statements</td>
<td>304</td>
</tr>
<tr>
<td>Exhibit B—Opinion of Bond Counsel</td>
<td>305</td>
</tr>
</tbody>
</table>

Lazard Frères & Co.—Financial Advisor
OFFICIAL STATEMENT

OF

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

Relating to the Issue and Sale of

$125,000,000 of its

1978 Series 10 Bonds

PART 1—INTRODUCTION

The purpose of this Official Statement of the Municipal Assistance Corporation For The City of New York (the “Corporation”) is to set forth information in connection with the offering of the Corporation’s 1978 Series 10 Bonds (the “1978 Series 10 Bonds”). Certain factors that may affect decisions to invest in the 1978 Series 10 Bonds are described in this Official Statement and persons considering a purchase of such Bonds should read this Official Statement in its entirety.

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 State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, each as further amended (the “Act”), for the purpose of assisting The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. To carry out such purpose, the Corporation is empowered, among other things, to issue and sell bonds and notes, to pay or lend funds received from such sales to the City, 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 “PART 11—VARIOUS CONTROL PROGRAMS” and “PART 13—MANAGEMENT.”

The 1978 Series 10 Bonds will be issued pursuant to the Act, the Corporation’s second general bond resolution dated November 25, 1975 (the “Second General Bond Resolution”) and the series resolution of the Corporation authorizing the 1978 Series 10 Bonds (the “1978 Series 10 Resolution”). For a description of the Second General Bond Resolution, see “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION.” All bonds which are or may be issued under the Second General Bond Resolution are herein collectively referred to as the “Second Resolution Bonds.”

The 1978 Series 10 Bonds are due July 1, 2008 and are subject to redemption at the option of the Corporation on and after July 1, 1988 as a whole on any date, or in part on any interest payment date or dates, and are subject to mandatory redemption by lot through operation of a sinking fund. Giving effect to sinking fund redemptions, the average life of the 1978 Series 10 Bonds would be approximately 25¾ years calculated from November 15, 1978. For a more detailed description of the 1978 Series 10 Bonds, see the cover page of this Official Statement and “PART 7—BONDS BEING OFFERED.”

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and
notes, and notes issued to meet the City's seasonal borrowing requirements. After the issuance of the 1978 Series 10 Bonds (and giving effect to the prior issuance of the Corporation's 1978 Series 11, 12 and 13 Bonds), the Corporation will have issued $6.192 billion aggregate principal amount of bonds and notes under this test. The Corporation will have outstanding (excluding bonds that have been refunded) $2.5 billion aggregate principal amount of bonds issued under the Second General Bond Resolution, and $3.132 billion aggregate principal amount of bonds issued under its General Bond Resolution dated July 2, 1975, as amended and supplemented (the "First General Bond Resolution"). The bonds that are or may be issued under the First General Bond Resolution (the "First Resolution Bonds") have no claim on the per capita State aid pledged to the payment of Second Resolution Bonds, but are payable from and have a prior claim on revenues derived from certain sales and compensating use taxes imposed by the State within the City and, if needed, the State stock transfer tax. See "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS" for a more detailed description of the revenues available for payment of the 1978 Series 10 Bonds.

Recent Legislation Relating to the Corporation

In June 1978 and September 1978 State legislation was enacted (the "1978 Amendments") that, among other things, amended the Act to increase from $5.8 billion to $8.8 billion the amount of bonds and notes which may be issued by the Corporation and to expand the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments of moneys to the City for any item that is permitted to be included in the City's capital budget, (ii) payments that will have the effect of reducing the City's requirements for State advances of State assistance moneys payable to the City, (iii) payments into a fund in connection with the Federal guarantee of obligations of the City or the Corporation (the "Guarantee Fund"), and (iv) financing the City's seasonal borrowing requirements.

In addition, the 1978 Amendments authorize and require the Corporation to include, with respect to bonds or notes of the Corporation issued after September 28, 1978, including the 1978 Series 10 Bonds, a covenant of the State (the "1978 State Covenant") that the State will not take certain actions, including any action that will substantially impair the authority of the New York State Financial Control Board (the "Control Board") to act in specified respects with regard to the City. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—State Legislation", "PART 11—VARIOUS CONTROL PROGRAMS—POWERS OF THE CORPORATION" and, with respect to the 1978 State Covenant and its enforceability, "PART 12—AGREEMENT OF THE STATE OF NEW YORK."

The 1978 Amendments also amended the New York State Financial Emergency Act for the City of New York (as amended, the "Emergency Act") to, among other things, extend the duration of the Control Board and modify its powers. See "PART 11—VARIOUS CONTROL PROGRAMS—Control Board."

Debt Issuance Plan

The sale of the Corporation's 1978 Series 10 Bonds and the prior sale of the Corporation's 1978 Series 11, 12 and 13 Bonds are among the initial steps in the implementation of a program to provide necessary long and short-term financing to the City over the next four fiscal years, during which time the City expects to follow a plan designed to bring its expense budget into balance in accordance with generally accepted accounting principles ("GAAP"), to reduce its seasonal borrowing requirements, to provide funds for capital expenditures and to enable the City to regain access to the public credit markets. See "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Four Year Financial Plan: Fiscal Years 1979-1982."

The four year financing plan (the "Debt Issuance Plan") includes four long-term financing components: (1) the sale of up to $1.8 billion of the Corporation's Second Resolution Bonds to various New York City commercial banks, savings banks and insurance companies (the "Financial Institutions") and four City employee pension funds (the "City Pension Funds"); (2) the sale of up to $750 million federally guaranteed City bonds to the City Pension Funds and two State employee pension funds (the "State Pension Funds"); (3) sales to the public of up to $1 billion of the Corporation's bonds; and (4) sales to the public of up to $950 million of City bonds that are not federally guaranteed (or, if neither the City nor the Corporation is able to sell its bonds to the public in sufficient amounts on reasonable terms to fulfill this element of the Plan, private sales to the City and State Pension Funds
of up to $900 million of federally guaranteed City bonds). The sales to the Financial Institutions and City Pension Funds of the Corporation's bonds are to be made pursuant to an agreement dated November, 1978 among the Corporation, the Financial Institutions and the City Pension Funds (the "Financing Agreement"). The Federal guarantee of the bonds of the City, authorized by the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the "Federal Guarantee Act"), is to be made pursuant to an agreement dated November, 1978 among the United States of America, the City, the State, the Control Board and the Corporation (the "Agreement to Guarantee") and the purchase of such guaranteed City bonds (the "Guaranteed City Bonds") is to be made pursuant to an agreement dated November, 1978 among the United States of America, the City and the City and State Pension Funds (the "Guaranteed Bond Purchase Agreement") (together, the "Guarantee Agreement").

In addition, the City's 1979 seasonal financing requirements are to be met by the loans to the City of up to an aggregate of $750 million evidenced by the City's short-term notes (which are not to be federally guaranteed) by the City Pension Funds and the commercial banks that are among the Financial Institutions (the "Commercial Banks") pursuant to an agreement among such purchasers and the City dated November, 1978 (the "Seasonal Agreement"). This commitment will be reduced by the amount of any notes issued by the City or by the Corporation for seasonal financing purposes.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, its implementation is subject to the conditions imposed by Federal and State legislation relating to such a program and to the numerous and complex conditions contained in the Financing Agreement, the Guarantee Agreement and the Seasonal Agreement. Certain of such conditions may be difficult to fulfill and many conditions are not within the control of the Corporation. Among such conditions are the requirement that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter balanced in accordance with GAAP (and make substantial progress toward that goal during fiscal years 1979 through 1981), that the 1978 State Covenant and specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State, and that substantially all the purchases scheduled to have been made pursuant to the Debt Issuance Plan shall have been made.

For more detailed information on the Debt Issuance Plan, see "PART 2—FOUR YEAR DEBT ISSUANCE PLAN." For a description of the Financing Agreement, Guarantee Agreement and Seasonal Agreement, see "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

Sales Under Debt Issuance Plan and Market Overhang

On November, 1978 the Financial Institutions and the City Pension Funds made their initial purchases under the Financing Agreement of $401 million of the Corporation's 1978 Series 11, 12 and 13 Second Resolution Bonds (the "1978 Private Series Bonds").

The 1978 Private Series Bonds, sold at par, consist of the following:

<table>
<thead>
<tr>
<th>Series</th>
<th>Amount</th>
<th>Rate</th>
<th>Due</th>
<th>Amount</th>
<th>Rate</th>
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<tr>
<td>11</td>
<td>$139,525,000</td>
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<td>1998</td>
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<td>1998</td>
<td>$26,500,000</td>
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<tr>
<td>13</td>
<td>$201,100,000</td>
<td></td>
<td>1998</td>
<td>$31,500,000</td>
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</table>

* Although the Corporation and the Financial Institutions and City Pension Funds had agreed on August 8, 1978 to interest rates for the 1978 Series 11 and 12 Bonds of 8 1/4% and to a net interest cost for the 1978 Series 13 Bonds of 8 1/4% (assuming issuance of all such series Bonds at par), such interest rates are now under renewed discussions among the parties to the Financing Agreement. Such discussions will conclude and final terms of such bonds determined and publicly announced prior to the issuance of a final Official Statement.
The 1978 Private Series Bonds, taken as a whole, have an average life of 13.1 years from their date of issuance. Although the Financial Institutions (including the Commercial Banks that are managing and other underwriters of this offering and the Trustee, which is also a Commercial Bank) and the City Pension Funds have agreed, to the extent permitted by law, not to sell, offer to sell, or otherwise dispose of the 1978 Private Series Bonds without the consent of the Corporation and the underwriters for a period after the delivery of the 1978 Private Series Bonds, the underwriters, the Financial Institutions and the City Pension Funds may offer or sell all or a portion of such Bonds following expiration of the day period. Any such offer or sale may have an adverse effect on the market price of the 1978 Series 10 Bonds. For further information with respect to the Financing Agreement, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement.”

Commercial Banks, some of which are also underwriters of this offering, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

**Additional Limitations on Bond Issuance**

The Corporation has included in the 1978 Series 10 Resolution, and in certain other resolutions, a covenant that it will not issue any additional obligations under the First General Bond Resolution if such issuance would cause maximum annual debt service on all obligations issued and outstanding under the First General Bond Resolution to exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes). In addition, the Corporation has covenanted to impose an additional coverage test for the issuance of additional Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds, increasing required coverage from 1.2 times to 2 times.

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation’s bonds and notes outstanding under the First and Second General Bond Resolutions shall not exceed $8.8 billion. Such provision also restricts the Corporation’s issuance of bonds other than pursuant to the First or Second General Bond Resolution and subjects its issuance of short-term notes (which are subordinate to obligations issued under the First or Second Bond Resolution) to the same two-times coverage test imposed on Second Resolution Bonds. For a description of these and other limitations, see “PART 7—BONDS BEING OFFERED—Additional Bonds and Notes.” The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, in certain circumstances after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its bonds may be limited, as described in “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement.”

**Payment of the Second Resolution Bonds**

The Second Resolution Bonds, including the 1978 Series 10 Bonds, are general obligations of the Corporation, payable from any available revenues of the Corporation not otherwise pledged, as well as from any revenues of the Corporation pledged to the payment of the Second Resolution Bonds.

As described herein, the Corporation’s revenues pledged to the payment of the Second Resolution Bonds are derived from three sources: Per Capita Aid, the Sales Tax and the Stock Transfer Tax. “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 of the Corporation derived from the Sales Tax and the Stock Transfer Tax are pledged to the payment of the Second Resolution Bonds only to the extent that such revenues are not required to meet debt service and capital reserve fund requirements on obligations issued under the First General Bond Resolution.
The methods by which the Corporation receives its revenues are established by State law. The Finance Law provides that, subject to annual appropriation by the State Legislature, Per Capita Aid is apportioned and paid from the Local Assistance Fund in the State's General Fund, 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 the Chairman of the Corporation certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and the Second General Bond Resolution for the Second Resolution Bonds. See "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS—Adjusted Per Capita Aid."

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"). Subject to annual appropriation by the State Legislature, and only after meeting debt service and capital reserve fund requirements on obligations of the Corporation issued under the First General Bond Resolution, to the extent that amounts in the Special Aid Account are insufficient to meet obligations of the Corporation with respect to the Second Resolution Bonds, moneys in the Special Tax Account are to be paid to the Corporation at such times and in such amounts as its Chairman certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and by the Second General Bond Resolution for the Second Resolution Bonds.

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

The State Legislature appropriated Per Capita Aid and the Sales Tax and Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since 1976, including the State's 1979 fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. See "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Appropriation By Legislature." (The State's fiscal year ends March 31 in each year. The fiscal years of both the Corporation and the City end June 30 in each year.)

Amounts paid to the Corporation from the Special Aid Account, and from the Special Tax Account as referred to above, are deposited into the bond service fund and capital reserve fund established under the Second General Bond Resolution and held by the Trustee (the "Bond Service Fund" and "Capital Reserve Aid Fund," respectively). The Second Resolution Bonds are secured by an equal charge and a first lien on all moneys and securities in the Bond Service Fund and the Capital Reserve Aid Fund. The amount required to be deposited in the Bond Service Fund for any fiscal year is the amount needed to pay principal (including Sinking Fund Installments), interest and any redemption premium maturing or otherwise coming due on all outstanding Second Resolution Bonds during such fiscal year. The amount required to be on deposit in the Capital Reserve Aid Fund for any calendar year is a fixed percentage of principal (including Sinking Fund Installments) and interest maturing or otherwise coming due on outstanding Second Resolution Bonds during a specified calendar year.

For a more detailed description of the funds to be used to pay the principal of and interest on the Second Resolution Bonds, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS."

**Per Capita Aid, Tax Revenues and Debt Service**

Per Capita Aid apportioned and paid into the Special Aid Account and paid to the Corporation, and (to the extent not required by the Corporation) the City, with respect to the Corporation's 1978 fiscal year was approximately $434 million. This amount was subject to reduction by prior claims to Per
Capita Aid, but no claims were asserted. Potential prior claims are described under “Part 6—Debt Service Payment Requirements and Estimated Coverage Ratios—Adjusted Per Capita Aid.”

Collections of the Sales Tax and the Stock Transfer Tax with respect to the twelve months ended September 30, 1978, available for payment of the First and Second Resolution Bonds were approximately $1.26 billion (excluding the 25% surcharge formerly imposed on the Stock Transfer Tax, which surcharge terminated July 31, 1978, and net of State expenses of administration and the Corporation’s estimated operating expenses).

The debt service payment requirements on the outstanding First Resolution Bonds at present range from a high of $378 million in the Corporation’s 1986 fiscal year to a low of $299 million in the Corporation’s 1982 fiscal year. After issuance of the 1978 Series 10 Bonds, and after giving effect to the issuance of the 1978 Private Series Bonds, debt service payment requirements on the then outstanding Second Resolution Bonds will range from a high of $322 million in the Corporation’s 1989 fiscal year to a low of $17 million in the Corporation’s 1999 fiscal year. For further information with respect to the Corporation’s revenues and debt service, as well as estimated coverage ratios, and the effect of additional issuances by the Corporation under the Debt Issuance Plan, see “Part 6—Debt Service Payment Requirements and Estimated Coverage Ratios.”

Certain Factors

The Corporation believes that the market for, the market price of and the sources of payment of the 1978 Series 10 Bonds may be affected by certain factors described elsewhere in this Official Statement. Both the State and the City face serious potential long-term economic and demographic problems which may affect the level of Per Capita Aid and the levels of collections of the Sales Tax and Stock Transfer Tax in the future. If the financings included in the Debt Issuance Plan are not completed on a timely basis and an alternative financing plan is not developed, the market for and market prices of the Corporation’s bonds, including the 1978 Series 10 Bonds would be likely to be adversely affected. For a more detailed description of such problems and other factors, see “Part 8—Certain Developments Affecting the State”, “Part 9—Certain Developments Affecting the City” and “Part 10—Legislation and Agreements Relating to the Debt Issuance Plan.”

Part 2—Four Year Debt Issuance Plan

The Corporation, in conjunction with the City, has developed the Debt Issuance Plan to provide approximately $4.5 billion of long-term financing for the City during the 1979 through 1982 fiscal years. For a description of the City’s financial plan for such fiscal years, see “Part 9—Certain Developments Affecting the City—Four Year Financial Plan: Fiscal Years 1979-1982.” The funds to be provided by the Debt Issuance Plan are expected to be used to fund the following items: $2.3 billion for the City’s capital needs; $900 million for certain expense items permitted to be included in the City’s capital budget under State law during the period of the phase-out of such items from the capital budget but not permitted to be included under GAAP; $600 million to refund prior to their maturity certain outstanding bonds of the Corporation; $300 million to fund the Corporation’s capital reserve funds and the Guarantee Fund; and $400 million to reduce the need for an advance from the State to the City of State assistance moneys, an advance made by the State in each of the City’s 1975 through 1978 fiscal years in the amount of $800 million.

The Debt Issuance Plan provides for the sale of an aggregate of $1.8 billion of the Corporation’s Second Resolution Bonds to the Financial Institutions and the City Pension Funds pursuant to the Financing Agreement and for the sale to the public of $1 billion of the Corporation’s bonds. In addition, $750 million is to be provided by the sale of Guaranteed City Bonds to the City and State Pension Funds pursuant to the Guarantee Agreement. The final $950 million of the $4.5 billion is to be provided by the sale to the public in the 1981 and 1982 fiscal years of City bonds that are not federally guaranteed. If neither the City nor the Corporation is able to sell its bonds to the public in the amounts planned on reasonable terms in fiscal years 1981 and 1982, the City and State Pension Funds have agreed to purchase up to an additional $900 million of Guaranteed City Bonds pursuant to, and subject to the conditions of, the Guarantee Agreement.
The year-by-year sources of funds under the Debt Issuance Plan are set forth on the following schedule:

**DEBT ISSUANCE PLAN**

**Sources of Funds**

**Fiscal Years Ending June 30, 1979-1982**

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<tbody>
<tr>
<td>Private Placements of Corporation’s Bonds</td>
<td></td>
<td></td>
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<tr>
<td>City Pension Funds</td>
<td>$ 60,425</td>
<td>$ 222,240</td>
<td>$ 222,240</td>
<td>$ 120,095</td>
<td>$ 625,000</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>60,425</td>
<td>222,240</td>
<td>222,240</td>
<td>120,095</td>
<td>625,000</td>
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<tr>
<td>Savings Banks</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>300,000</td>
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<tr>
<td>Insurance Companies</td>
<td>205,150</td>
<td>17,520</td>
<td>17,520</td>
<td>9,510</td>
<td>249,700</td>
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<tr>
<td><strong>Subtotals</strong></td>
<td>401,000</td>
<td>537,000</td>
<td>537,000</td>
<td>324,700</td>
<td>1,799,700</td>
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<tr>
<td>Sales to the Public of Corporation’s Bonds</td>
<td>500,000</td>
<td>500,000</td>
<td></td>
<td></td>
<td>1,000,000</td>
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<tr>
<td><strong>Total Sources</strong></td>
<td>$1,401,000</td>
<td>$1,287,000</td>
<td>$837,000</td>
<td>$974,700</td>
<td>$4,499,700</td>
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</table>

In addition, in order to provide short-term seasonal financing to the City during its current fiscal year, the Commercial Banks and the City Pension Funds have agreed to loan to the City in this fiscal year up to $750 million evidenced by seasonal notes of the City (the "1979 Seasonal Notes") pursuant to the Seasonal Agreement. The 1979 Seasonal Notes will not be federally guaranteed and the amount of 1979 Seasonal Notes to be purchased under the Seasonal Agreement will be reduced by the amount of any seasonal notes sold by the City other than pursuant to the Seasonal Agreement or by the Corporation.

The Financing Agreement, the Guarantee Agreement and the Seasonal Agreement (collectively, the "Agreements") were executed, and the initial purchases provided for in the Financing Agreement and the Guarantee Agreement were made, on November 1, 1978; $401 million of Second Resolution Bonds were sold under the Financing Agreement and $200 million of Guaranteed City Bonds were sold under the Guarantee Agreement.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, the obligations of each of the purchasers to make the further purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirement that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), that specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State, and that substantially all the purchases scheduled to have been made pursuant to the Debt Issuance Plan shall have been made. Accordingly, no assurance can be given that the applicable conditions of the Agreements will in the future be satisfied,
or if satisfied that such purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

For a description of the Agreements, certain of the conditions contained in the Agreements, and the legislation authorizing such Agreements, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

PART 3—OUTSTANDING DEBT OF THE CORPORATION

After the issuance of the 1978 Series 10 Bonds, and after giving effect to the delivery of $401 million of 1978 Private Series Bonds to the Financial Institutions and City Pension Funds on November 1978, the Corporation will have outstanding $2.5 billion in Second Resolution Bonds and $3.132 billion in First Resolution Bonds (excluding bonds that have been refunded).

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

As at September 30, 1978, there was on deposit in the Bond Service Fund and the Capital Reserve Aid Fund $50.5 million and $216.1 million, respectively, for the payment of principal of and interest on the Second Resolution Bonds, which amounts equal or exceed the amounts required by the Act and the Second General Bond Resolution to be certified for and deposited in such Funds on such date. After application of the proceeds of this offering, and giving effect to the application of the proceeds of the sale of the 1978 Private Series Bonds, there will be on deposit $240.1 million in the Capital Reserve Aid Fund, which amount exceeds the requirement of the Act. See “PART 4—USE OF PROCEEDS.”

For additional information concerning the financial condition of the Corporation as at June 30, 1978 and as at September 30, 1978 and certain transactions occurring between September 30, 1978 and the date hereof, see the audited financial statements of the Corporation as at June 30, 1978 and the unaudited financial statements of the Corporation as at September 30, 1978, annexed hereto and “PART 21—FINANCIAL STATEMENTS.”

PART 4—USE OF PROCEEDS

The net proceeds of the sales of the 1978 Series 10 Bonds and of the 1978 Private Series Bonds will be $47 million and $401 million, respectively, providing aggregate net proceeds of $47 million. Approximately $24 million of the aggregate net proceeds will be deposited in the Capital Reserve Aid Fund established pursuant to the Act and the Second General Bond Resolution. As a result of such deposit, the Capital Reserve Aid Fund under the Second General Bond Resolution will be maintained at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. The Corporation intends in connection with any future issuances of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100% of the debt service coming due in the year of such issuance. The Act requires that as of calendar year 1981, 100% of the succeeding calendar year's debt service be maintained in such Fund. For further information with respect to the Capital Reserve Aid Fund, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—General” and “Restoration of Capital Reserve Aid Fund.”

Approximately $47 million of such aggregate net proceeds will be deposited in the Capital Reserve Fund, established pursuant to the Act and the First General Bond Resolution, to bring such Fund up to 75% of debt service due in calendar year 1979 on First Resolution Bonds, which is the level required by the Act to be on deposit for calendar year 1979. Approximately $27 million of such
aggregate net proceeds will be deposited in the Guarantee Fund. See "Part 10—Legislation and Agreements Relating to the Debt Issuance Plan—State Legislation" and "Federal Guarantee Act."

Of the balance of such aggregate net proceeds, approximately $400 million will be paid to the City upon certification by the Mayor of the City (the "Mayor") that such payment will have the effect of reducing the City's requirements for an advance by the State of State assistance moneys payable to the City and approximately $ million will be paid to the City upon certification by the Mayor that such payment will be used to pay expense items currently permitted to be included in the City's capital budget. See "Part 10—Legislation and Agreements Relating to the Debt Issuance Plan."

PART 5—PROVISIONS FOR PAYMENT OF THE BONDS

General

The Second Resolution Bonds are general obligations of the Corporation payable out of any available revenues of the Corporation not otherwise pledged as well as any revenues of the Corporation pledged to the payment of Second Resolution Bonds. The Second Resolution Bonds are entitled to a first lien, created by the pledge under the Second General Bond Resolution, of all moneys and securities paid or deposited into the Bond Service Fund and the Capital Reserve Aid Fund held by United States Trust Company of New York, as trustee (the "Trustee"). Such moneys and securities include each of the following: (i) amounts derived from Per Capita Aid received by the Corporation from the State as payments from the Municipal Assistance State Aid Fund (see "Municipal Assistance State Aid Fund" in this Part 5) for deposit in the Bond Service Fund and in the Capital Reserve Aid Fund; (ii) amounts derived from the Sales Tax and the Stock Transfer Tax received annually by the Corporation from the State as payments from the Municipal Assistance Tax Fund (after payment from such Fund to the Corporation of the amounts required to be deposited in 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" in this Part 5); and (iv) any income or interest earned as a result of investments of such amounts so deposited in such Bond Service Fund and Capital Reserve Aid Fund. See "Part 15—Summary of Certain Provisions of the Second General Bond Resolution." Holders of obligations of the Corporation, including the 1978 Series 10 Bonds, have no lien on moneys on deposit in the Guarantee Fund. See "Part 10—Legislation and Agreements Relating to the Debt Issuance Plan—Federal Guarantee Act."

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 of the Corporation to the State Comptroller and to 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 the fiscal year beginning on the following July 1 on all outstanding Second Resolution 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 be on deposit in the Capital Reserve Aid Fund for a specified calendar year is a fixed percentage of the interest and the principal (including sinking fund installments) maturing or otherwise coming due during such calendar year on all outstanding Second Resolution Bonds, including for such purpose any unpaid amounts of such principal and interest owing in respect of prior calendar years. The fixed percentages of such debt service requirements to be maintained in the Capital Reserve Aid Fund for the calendar years 1978, 1979 and 1980 are 50%, 75% and 100% of the requirements for such years, respectively. Beginning in 1981,
the fixed percentage is 100% of the succeeding calendar year's debt service requirements. As stated above, the Corporation will deposit in the Capital Reserve Aid Fund from the proceeds of the 1978 Series 10 Bonds an amount sufficient to maintain the balance therein at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

Payments to the Corporation of the amounts referred to in clauses (i) and (ii) above are required to be made by the State only if and to the extent that such amounts have been appropriated by the State Legislature or that revenues have otherwise been made available therefor by the State. See “Municipal Assistance State Aid Fund” and “Municipal Assistance Tax Fund” in this Part 5. The source of moneys in the Special Aid Accounts 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 the Special Aid Account only after statutory claims on such aid having a priority over the claims of the Corporation have been paid. Such prior statutory claims are described under “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.” The sources of moneys in the Special Tax Account are the Sales Tax and, if required, the Stock Transfer Tax Fund, the moneys in which are derived from the Stock Transfer Tax imposed by Article 12 of the Tax Law.

The Corporation, in accordance with the Act and pursuant to the express provisions of the Second General Bond Resolution, has covenanted to cause its Chairman to certify (at the time or times required in each year) to the State Comptroller and to the Mayor schedules setting forth the cash requirements of the Corporation and the time or times when such cash is required, all as described above.

In addition to the moneys that become available to the Corporation from the Special 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 any corporate purposes of the Corporation.

The 1978 Amendments authorize the Corporation to take certain actions with respect to City obligations it holds. On November 1, 1978, in accordance with the Act and the Guarantee Agreement, the Corporation presented to the City for cancellation without payment the tax and revenue anticipation notes and budget notes of the City that it then held. On or before March 31, 1979, the Corporation, as required by the Guarantee Agreement, expects to surrender all City bond anticipation notes it holds to the City for cancellation or in exchange for City bonds or to enter into an agreement with the City satisfactory to the Secretary of the Treasury of the United States of America (the “Secretary”) with respect to payment of such notes. Under the Act, the Corporation may not present City bonds to the City for cancellation without receiving payment of principal and interest thereon or exchanging such bonds for other bonds. See “PART 11—VARIOUS CONTROL PROGRAMS—Powers of the Corporation.” The amount the Chairman is required to certify for debt service on the Second Resolution Bonds may not be reduced by any amounts payable to but not yet received by the Corporation in respect of obligations of the City but may be reduced to the extent that such moneys are received and deposited in the Bond Service or Debt Service Fund. Such obligations of the City held from time to time by the Corporation are not subject to the lien created by the pledge under the First or Second General Bond Resolutions.
The following chart illustrates the flow of money as described above:

1. Subject to appropriation by State Legislature.
2. See "Municipal Assistance State Aid Fund" in this Part 5.
3. Including Capital Reserve Fund requirement.
4. Available, if necessary.
5. After certification by the Corporation as to its requirements.
6. Subject to appropriation by State Legislature and after payment of all amounts certified by the Corporation, if any, and after payment of rebates of the Stock Transfer Tax, see "Stock Transfer Tax" in this Part 5.
7. After payment of all amounts certified by the Corporation.
Neither the Corporation nor the holders of the Second Resolution 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 Second Resolution 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 Second Resolution Bonds do not constitute, an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City is liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal of or interest on the Second Resolution 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 any appropriation. Under the State Constitution, an appropriation of State funds must be paid out within two years of the date of the appropriation so that such aid and taxes may not be appropriated by a current Legislature for future years. 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 current fiscal year. It is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years, see "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE."

The Sales Tax is now imposed at the same rate and upon substantially the same base as the previously imposed City sales tax. Under the Finance Law, the Sales Tax 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 has been appropriated and has been paid to the Corporation in full. Provisions of the Finance Law similarly restrict the use of moneys in the Special Aid Account in the Municipal Assistance State Aid Fund by the State Comptroller. The Special Aid Account is also a special fund of the State.

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

Article 7, Section 16 of the State Constitution provides that if the State Legislature shall fail to make an appropriation for the payment of principal of and interest on State debt obligations, including sinking fund payments, as the same shall fall due, the State Comptroller "... shall set apart from the first revenues thereafter received, applicable to the general fund of the State, a sum sufficient to pay such interest, installments of principal, or contributions to such sinking fund, as the case may be, and shall so apply the moneys thus set apart." Section 55 of the Finance Law provides that, under certain terms and conditions, the State Comptroller is to set aside all taxes and revenues that would otherwise be payable into the General Fund of the State (with certain itemized exceptions) in a note repayment account 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 State Legislature to make the appropriation to pay State debt obligations, moneys applicable to the General Fund of the State and otherwise available for the apportionment and payment of Per Capita Aid will be subject to being set apart or applied by the State Comptroller to pay State obligations.

Although the Special Aid Account is a special fund of the State, the moneys in such Account are derived from the General Fund of the State and it is unclear whether such moneys would be subject to being set aside by the State Comptroller pursuant to either Section 55 of the Finance Law or Article 7, Section 16 of the State Constitution.

**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. Subject to appropriation by the State Legislature, the Special Aid Account receives revenues from the Per Capita Aid after certain claims having a priority on the payment of such aid have been satisfied. For a description of such prior claims, see "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS."

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 payment from the Special Tax Account, subject to prior claims thereon with respect to obligations issued under the First General Bond Resolution and the Operating Fund requirements, to the Corporation of an amount equal to the deficiency. See “Municipal Assistance Tax Fund” in this PART 5.

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 Finance Law, the State Comptroller may not disburse amounts from the Special Aid Account (or 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 payments to the Corporation for deposits in the Bond Service Fund and the Capital Reserve Aid Fund from the Special Aid Account and the Special Tax Account to be made on or before January 15, April 15, June 25 and October 15 in each year. Moneys on deposit in the Special Aid Account in excess of the amount certified by the Chairman as required by the Corporation are paid to the City. Although quarterly payments of Per Capita Aid are provided for by the Finance Law, substantially all of the Per Capita Aid payable to the Corporation (and, to the extent not required by the Corporation, payable to the City) is paid on an annual basis as part of the June 25 payment. That portion of the June 25 payment of Per Capita Aid not required by the Corporation is paid to the City on June 30. 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 payments from the Special Aid Account and from the Special Tax Account, which payments are expected to aggregate the total debt service payments required to be made in such year, see “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Maintenance of Certain Funds.”

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 or refusal of the State to continue to apportion and pay Per Capita Aid, as the laws relating to Per Capita Aid may be amended, or the failure of the State to maintain the existence of the Municipal Assistance State Aid Fund or the Special Aid Account or a reduction by the State of the amount of Per Capita Aid, as so amended, payable during any fiscal year to an amount less than the amount of principal and interest maturing or otherwise coming due in such fiscal year 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 Second Resolution Bonds. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Events of Default.”

The State Comptroller may in his discretion invest revenues on deposit 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

The determination of the amount of Per Capita Aid payable in any year is a legislative act based on complex statutory formulae which take into account the distribution of the State's population, the total assessed valuation of real property taxable within the State as modified to reflect the appropriate equalization rate, personal income, and the 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 1946. The State Legislature may amend or repeal the statutes relating to the payment of Per Capita Aid and the formulae for the determination of the amount of Per Capita Aid. Such amendments could result in the increase or decrease of the amount of Per Capita Aid available for the payment of debt service on Second Resolution Bonds. The State Legislature may also make no appropriation of Per Capita Aid. The financial condition of the State may affect the amount of Per Capita Aid payable.

Payments of Per Capita Aid, upon certification of the State Board of Equalization and Assessment, are apportioned and paid to the Special Aid Account on audit and warrant of the State Comptroller out of moneys appropriated by the State Legislature for such purpose.

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. The following table, which is based on data obtained from the City Office of
Management and Budget, the State Comptroller's office and the State Division of the Budget, indicates the aggregate payments of Per Capita Aid apportioned and paid to the City and, since 1976, to the Corporation for the nine fiscal years ended June 30, 1978:

**Per Capita Aid**

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$204,800</td>
</tr>
<tr>
<td>1971</td>
<td>323,900(a)</td>
</tr>
<tr>
<td>1972</td>
<td>272,250</td>
</tr>
<tr>
<td>1973</td>
<td>331,780</td>
</tr>
<tr>
<td>1974</td>
<td>360,870</td>
</tr>
<tr>
<td>1975</td>
<td>$405,118</td>
</tr>
<tr>
<td>1976</td>
<td>434,311</td>
</tr>
<tr>
<td>1977</td>
<td>434,311(b)</td>
</tr>
<tr>
<td>1978</td>
<td>434,324(b)(c)</td>
</tr>
</tbody>
</table>

(a) Includes a non-recurring increase in Per Capita Aid apportioned because of an acceleration of payment otherwise to be made in 1972.

(b) Reflects State’s ceiling on Per Capita Aid payments at the 1976 level, with certain minor modifications applicable to 1978 payments.

(c) An additional $49,276 million was paid into the Special Aid Account in October 1978, which amount is (together with the $434.324 million previously paid) attributable to the State’s 1979 fiscal year.

**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 Finance Law provides for the appropriation of the Sales Tax by the State Legislature (although the State Legislature is not obligated or bound to make such appropriation) (i) to the Corporation in order to enable the Corporation to fulfill the terms of any agreements made with the holders of the Corporation’s obligations issued pursuant to the First General Bond Resolution, (ii) after payments of the amounts required by (i), to the Corporation to enable the Corporation to fulfill the terms of any agreements made with the holders of the Second Resolution Bonds and to carry out its corporate purposes, and (iii) to the City, to the extent of any balance. The Act provides that any provision therein or in any agreement by the Corporation with the holders of the Corporation’s obligations which relates to certain taxes, including the Sales Tax and the Stock Transfer Tax, or to certain funds, including the Municipal Assistance Tax Fund and the Special 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.

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 (in addition to the certifications required under the First General Bond Resolution), 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 at the required level. Pursuant to the Finance Law, 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.

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. See "Stock Transfer Tax" in this PART 5.

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 Tax Account at such times and in such amounts as shall be necessary to enable the Corporation to meet its debt service and Capital Reserve Aid Fund requirements, subject to the prior payment from the Special Tax Account to the Debt Service Fund and Capital Reserve Fund established and maintained under the First General Bond Resolution with respect to obligations issued thereunder and Operating Fund requirements. For additional information concerning the certification procedure, see "PART 15—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 of the amount of revenues received, 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 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 State Legislature. However, the State is not bound or obligated to continue the imposition of either the Sales Tax or the Stock Transfer Tax or to maintain the existence of the Special 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 Fund. The Second General Bond Resolution, however, provides that (i) the failure or refusal of the State for any reason to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by such Law as the same may be from time to time amended or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975, or the failure of the State to maintain the existence of the Special Tax Account or the Stock Transfer Tax Fund, or (ii) the failure of the State Comptroller to pay to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund the amount or amounts as shall be certified by the Chairman, shall each constitute an event of default with respect to the Second Resolution Bonds. See "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Events of Default."

**Sales Tax**

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

The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such
tax are necessarily indicative of future receipts. The primary cause of the growth of sales tax collections in recent years has been inflation. The City has, however, experienced adverse trends in certain economic and demographic factors which contributed in some years to a slowing of the growth rate of sales tax collections. Employment in the City decreased by 9.8% between 1970 and July 1978, as compared to an increase of 20.1% for the United States. The City's unemployment rate, unadjusted for seasonal factors, rose from 4.8% in 1970 to a peak of 11.1% in January 1977 and has since declined to 8.8% as of July 1978. The seasonally adjusted unemployment rate for the United States increased from 4.9% in 1970 to a peak of 9.1% in February through May 1975, and has since declined to 6.2% as of July 1978. The population of the City is estimated to have decreased by approximately 7% between 1970 and June 1978 as compared to a population increase of 6.9% for the United States. (The sources statistics referred to in this paragraph are the New York State Department of Labor, the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of the Census. Statistics for 1970 are annual averages.) See "Part 9—Certain Developments Affecting the City."

If negative trends continue or accelerate, Sales Tax collections may be adversely affected. The Corporation believes that it is not possible to predict the effect of future developments with respect to the City's economic condition or other related economic developments in the City on Sales Tax collections. 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.

Generally, vendors of any item including services, the sale of which is subject to the imposition of the Sales Tax, are required to file returns and pay this tax on a quarterly basis. Under existing statutes and regulations, such returns and payments are due on September 20, December 20, March 20 and June 20 for the quarter ending on the last day of the preceding month. Since March 1, 1976, however, those large vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, are required to file monthly returns on an historical basis and make monthly payments in addition to filing regular quarterly returns to reconcile their monthly returns with their actual receipts. The same filing requirement was imposed upon vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters from September 1, 1977 to February 28, 1978, but has since been repealed. In addition, such vendors with receipts of $300,000 or more are required to prepay estimated Sales Tax liability for the month of March by March 20 and payments required to be made by April 20 are reduced by the amount of such March estimated payments.

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 Commissioner of Taxation and Finance is required to certify to the State Comptroller the amount of all Sales Tax revenues received, after deduction of administrative costs, during the prior month as a result of the Sales Tax and all interest and penalties imposed. In addition, on or before the last day of June, the Commissioner is required to certify the amount of such revenues received during the first 25 days of June. All such amounts are required to 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 (c) to the table below as to adjustments that may be made with respect to the amounts deposited in the Special Tax Account.

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

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

<table>
<thead>
<tr>
<th>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></td>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1969 .........</td>
<td>$101,388</td>
<td>$107,658</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>142,258</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>212,671</td>
<td>201,715</td>
<td>787,200</td>
</tr>
<tr>
<td>1976(b) .......</td>
<td>194,560(c)</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>248,927(d)(e)</td>
<td>183,280(d)(e)</td>
<td>858,384</td>
</tr>
<tr>
<td>1978(b) .......</td>
<td>221,815(e)</td>
<td>232,291(c)(e)(f)</td>
<td>274,585(d)(e)(f)</td>
<td>190,044(d)(e)</td>
<td>918,735</td>
</tr>
<tr>
<td>1979(b) .......</td>
<td>232,732(e)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) The tabular figures have been adjusted through March 1978 to reflect overpayments or underpayments of both sales and compensating use taxes imposed by the City prior to July 1, 1975, and Sales Tax, to the Special Account. Such adjustments were made to subsequent distributions of the Sales Tax to the Special Account and are reflected in the tabular figures in the quarter in which such adjustments were made. Periods subsequent to March 1978 remain subject to the ongoing process of adjustment.

(b) The amounts of sales and compensating use taxes collected for fiscal 1975, 1976, 1977, 1978 and 1979 reflect the increases in the sales and compensating use taxes from 3% to 4%, effective July 1, 1974. The 6% tax on sales of certain parking services has remained the same.

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

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

(e) As a result of the method of monthly filing on an historical basis by large vendors and distribution to localities of Sales Tax for all periods on an historical basis, overdistributions were made to the Special Account which ranged from $2.4 million to $11.1 million for certain three-month periods. The State Department of Taxation and Finance has made reductions in distributions to reflect these overpayments and, in addition, has made increases in distributions in amounts ranging from $1.9 million to $5.6 million to reflect underdistributions for certain periods. The Commissioner of Taxation and Finance believes that future adjustments, occasioned by overdistributions and underdistributions to such Special Account, will be reduced as the State Department of Taxation and Finance improves its techniques and procedures for estimating distributions of payments received from large vendors.

(f) Collections for October 1977 through March 1978 reflect the fact that vendors with taxable receipts of between $100,000 and $300,000 in any quarter of the preceding four quarters were required to make monthly returns and remittances of Sales Tax during that period. As stated above in the text, commencing March 1978 such vendors are no longer required to make and file returns on a monthly basis.
After deductions for the costs of administration, collection and distribution, monthly collections of the sales and compensating use taxes which were imposed by the City prior to July 1, 1975, and of the Sales Tax imposed by the State since July 1, 1975, for the last five fiscal years of the City are as shown below:

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

<table>
<thead>
<tr>
<th></th>
<th>1974</th>
<th>1975</th>
<th>1976(b)</th>
<th>1977(b)</th>
<th>1978(b)</th>
<th>1979(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>$ 5,127</td>
<td>$ 10,110</td>
<td>$ 8,885(c)</td>
<td>$ 51,298</td>
<td>$ 55,763</td>
<td>$ 53,251</td>
</tr>
<tr>
<td>August</td>
<td>3,692</td>
<td>3,299</td>
<td>3,855(c)</td>
<td>43,442</td>
<td>50,002</td>
<td>52,803</td>
</tr>
<tr>
<td>September</td>
<td>126,453</td>
<td>160,415</td>
<td>181,820(c)</td>
<td>121,054</td>
<td>116,050</td>
<td>126,678</td>
</tr>
<tr>
<td>October</td>
<td>5,746</td>
<td>12,910</td>
<td>4,960</td>
<td>49,967</td>
<td>65,696</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>3,795</td>
<td>3,421</td>
<td>2,592</td>
<td>43,758</td>
<td>60,743</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>132,432</td>
<td>182,659</td>
<td>186,138</td>
<td>116,658</td>
<td>105,852</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>7,259</td>
<td>14,617</td>
<td>10,892</td>
<td>57,692</td>
<td>74,159</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>2,787</td>
<td>3,587</td>
<td>3,380</td>
<td>47,110</td>
<td>59,001</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>141,529</td>
<td>194,467</td>
<td>232,931(d)</td>
<td>144,125(d)</td>
<td>141,425(d)</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>5,473</td>
<td>9,242</td>
<td>19,489(d)</td>
<td>23,631(d)</td>
<td>18,979(d)</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>5,382</td>
<td>6,603</td>
<td>43,685</td>
<td>46,701</td>
<td>52,710</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>141,123</td>
<td>185,870</td>
<td>103,981</td>
<td>112,948</td>
<td>118,355</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 580,798</td>
<td>$ 787,200</td>
<td>$ 802,608</td>
<td>$ 858,384</td>
<td>$ 918,735</td>
<td></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) See footnotes (a), (c) and (f) to preceding table.

(b) Commencing March 1976, monthly collections reflect the requirement that vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, file monthly returns, and make monthly payments, on an historical basis. In addition, collections in October through March of the 1978 fiscal year reflect the fact that vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters were required to make such payments for sales made between September 1, 1977 and February 28, 1978.

(c) See footnote (c) to preceding table.

(d) Certain large vendors are required to report and make payment in March for estimated amounts of Sales Tax for such month as well as making a payment for the preceding February and making a reconciliation for the quarter ended the preceding February 28. Adjustments necessary to report and reflect actual amounts of Sales Tax for the month of March are required to be made on the monthly return due in the following April.
Stock Transfer Tax

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

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

<table>
<thead>
<tr>
<th>Selling Price Per Share</th>
<th>Rate Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $5</td>
<td>1¼ ¢</td>
</tr>
<tr>
<td>$ 5 or more but less than $10</td>
<td>2½ ¢</td>
</tr>
<tr>
<td>$10 or more but less than $20</td>
<td>3½ ¢</td>
</tr>
<tr>
<td>$20 or more</td>
<td>5 ¢</td>
</tr>
</tbody>
</table>

Transactions Other Than Sales
Per share ........................................ 2½ ¢

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

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

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

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

### Quarterly Collections of Stock Transfer Tax

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Three Months Ended:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
<td>December 31</td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>$ 56,571</td>
<td>$ 70,509</td>
</tr>
<tr>
<td>1971</td>
<td>46,563</td>
<td>59,170</td>
</tr>
<tr>
<td>1972</td>
<td>62,573</td>
<td>65,894</td>
</tr>
<tr>
<td>1973</td>
<td>59,405</td>
<td>68,993</td>
</tr>
<tr>
<td>1974</td>
<td>43,612</td>
<td>59,782</td>
</tr>
<tr>
<td>1975</td>
<td>35,756</td>
<td>40,214</td>
</tr>
<tr>
<td>1976(a)</td>
<td>53,049</td>
<td>57,937</td>
</tr>
<tr>
<td>1977(a)</td>
<td>62,220</td>
<td>69,072</td>
</tr>
<tr>
<td>1978(a)</td>
<td>68,770</td>
<td>82,072</td>
</tr>
<tr>
<td>1979(a)</td>
<td>112,476</td>
<td></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

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

The rates and maximum amounts of Stock Transfer Tax have been different for different categories of taxable transactions. Prior to October 1, 1977, the tax rate applicable to transactions involving sales by non-residents of the State (as defined in the Tax Law) made within the State had been 50% of the rates then applicable to residents (the “non-resident rate”). In addition, the amount of tax required to be paid on any taxable transaction which involved a sale on a single day (whether made by a resident or a non-resident) made within the State that related to shares or certificates of the same class and issued by the same issuer had been limited to $350 (excluding the surcharge) (the “maximum tax”). In January 1977, this distinction between sales made within the State and sales made outside of the State with respect to the maximum tax and the non-resident rate was declared unconstitutional by the United States Supreme Court. State legislation enacted in 1977 repealed the non-resident rate and the maximum tax, thus eliminating the unconstitutional distinction in the law between sales made within the State and sales made outside the State. The legislation established a new maximum tax, applicable to qualifying sales made within or outside the State.

The Corporation believes that the new maximum tax will cause only a negligible loss in Stock Transfer Tax collections because, although precise data are not available, studies by consultants to the Corporation indicate that the number of transactions involving a sale made outside of the State and subject to a tax in excess of the maximum tax is not material.

In addition, in order to eliminate the competitive disadvantage created by the Stock Transfer Tax for the securities industry in New York, the legislation enacted in 1977 instituted a program of statutory rebates, which began October 1, 1977 with respect to transactions by non-residents subject to the tax and will begin October 1, 1979 with respect to transactions by residents. Rebates will increase gradually to equal 100% of the tax beginning October 1, 1981. The legislation provides that taxpayers will continue to pay the Stock Transfer Tax at the above-stated rates and that revenues will continue to be paid into the Stock Transfer Tax Fund, although a substantial portion of such revenues (the rebatable portion of the tax) will be paid into the Stock Transfer Tax Fund only at the end of each calendar quarter. To the extent that the Corporation does not require the use of Stock Transfer Tax revenues for debt service on its outstanding bonds and notes, and that under the Act such revenues would otherwise have been paid to the City, such revenues are available on a quarterly basis for payment of rebates. Any such revenues
not used by the Corporation or to pay rebates are to be paid to the City. In the opinion of Bond Counsel to the Corporation, the procedures with respect to the levy, collection, payment and rebate of the Stock Transfer Tax established by such legislation do not violate any of the provisions of the First or Second General Bond Resolution or any series resolution adopted pursuant thereto.

To date, the Corporation has not found it necessary to use the Stock Transfer Tax to pay its debt service. Based on present projections, the Corporation does not anticipate that it will be necessary to utilize the Stock Transfer Tax in the future, although no assurance can be given that it will not be so required. See “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.”

**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 will be the amount of principal of and interest maturing or otherwise due or becoming due in the succeeding calendar year on any Second Resolution Bonds then to be issued and on all other Second Resolution Bonds of the Corporation then outstanding, including for such purpose any unpaid amounts of principal and interest owing on Second Resolution Bonds 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 “General” in this PART 5.

Under the State Constitution, no money may be paid out of the State Treasury or any of its funds or out of any of the funds under its management except pursuant to an appropriation by law specifying the sum appropriated, and payment thereunder shall be made within two years immediately following passage of such law. Accordingly, the provision of the Act quoted above does not constitute an enforceable obligation or debt of the State. See “Appropriation by Legislature” in this PART 5.
A part of the net proceeds from the sale of the 1978 Series 10 Bonds will be deposited by the Corporation in the Capital Reserve Aid Fund in an amount sufficient to maintain the balance therein at 100\% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The Corporation intends in connection with any future issuance of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100\% of the debt service coming due in the year of issuance. As of calendar year 1981, the Corporation must maintain the Capital Reserve Aid Fund at 100\% of the succeeding calendar year's debt service, as required by the Act. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

**Federal Bankruptcy Legislation**

As discussed under "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY", pursuant to the Federal Bankruptcy Act, Chapter 9, a petition for relief (a "Chapter 9 petition") may be filed by any State agency that is authorized under State law to file such a petition. The Corporation is an agency and instrumentality of the State and, if authorized to file a petition by the State Legislature or other appropriate authority, could file a Chapter 9 petition if the Corporation were insolvent or unable to meet its debts as they mature, and were to meet the other conditions specified in Chapter 9. The Corporation is not now authorized by the State to file a Chapter 9 petition, although it may be so authorized in the future. If the Corporation commenced such a Chapter 9 proceeding, the 1978 Series 10 Bonds would be among the debts of the Corporation it could seek to modify or adjust by a plan in that proceeding. The Corporation does not anticipate that it will seek such authorization and does not anticipate a need for such relief.

Although the filing of a Chapter 9 petition with respect to the City might have a general adverse effect on the economic health of the City, the Corporation believes that the filing by the City or the Control Board of a Chapter 9 petition would not affect the ability of the Corporation to repay its obligations, including the 1978 Series 10 Bonds, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

A revised Federal Bankruptcy Act, including a revised Chapter 9, was signed by the President on November 6, 1978. Such revised Chapter 9, which is effective October 1, 1979, will not materially alter the provisions of Chapter 9 described above.

**PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS**

In order to estimate coverage ratios for the Second Resolution Bonds that will be outstanding after the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds, the Corporation has assumed certain amounts of Per Capita Aid, Sales Tax and Stock Transfer Tax collections. There is shown below the basis on which such amounts were calculated. The debt service payment requirements for the First and Second Resolution Bonds as well as certain coverage ratios are also shown below.

*Adjusted Per Capita Aid*

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, although during the Corporation's 1978 fiscal year, no such claims were asserted. In making such estimates the Corporation has relied on information which it believes to be accurate and has assumed that such claims and liabilities do not exceed the limits set by law.
Per Capita Aid Paid into Special Aid Account during the Corporation's fiscal year 1978 .................................................. $ 434,324

Less Potential Claims and Liabilities:

(a) *City University Construction Fund ("CUCF")*.  
The Corporation has been informed by CUCF that its annual requirements, for payment to the Dormitory Authority as its share of certain Dormitory Authority debt service and other expenses, are approximately $55.8 million, 50% of which would be a claim against Per Capita Aid if not otherwise paid by the City to CUCF. The Dormitory Authority anticipates the issuance in the near future of an additional approximately $30 million of bonds, 50% of the debt service on which could constitute an additional claim against Per Capita Aid. The New York State Financial Emergency Act For The City of New York (the "Emergency Act") permits a maximum claim of $65 million in any fiscal year of the City pursuant to the City University Construction Fund Act* .......................................................... $ 27,876

(b) *New York City Housing Development Corporation ("HDC").*  
Amounts required to restore the HDC capital reserve fund to the amount required in such fund would be a claim against Per Capita Aid if not otherwise paid. 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 $19.9 million. HDC has outstanding $37.7 million in bond anticipation notes which HDC expects to fund with the issuance of bonds. The funding of such notes 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 therefor. The Emergency Act also permits a maximum claim of the lesser of $85 million or an amount equal to the maximum annual debt service on bonds issued by HDC in an aggregate principal amount of $800 million .......................... $ 19,900

(c) *New York City Transit Authority ("NYCTA").*  
(i) Pursuant to Section 2 of Chapter 7 of the 1972 Laws of the State the City was required to pay an aggregate $51 million in equal annual installments for the ten years commencing December 31, 1972 to the NYCTA to enable the NYCTA to pay certain notes issued in anticipation of the receipt of revenues by the NYCTA. $15.3 million in aggregate principal amount of such notes, bearing interest at the rate of eight percent (8%) a year, were outstanding. 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 ...................... $ 6,324

(ii) Pursuant to Chapter 3 of the 1974 Laws of the State, the State was authorized to make a first instance appropropriation to the NYCTA, which appropriation was made in the amount of $100 million 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 $20.0 million remains outstanding ... $ 20,000

(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 $ 74,600

Amount of Per Capita Aid for the Corporation's 1978 Fiscal Year, Net of Potential Claims and Liabilities ............................................. $ 359,724
Although the Emergency Act purports to limit claims on the Per Capita Aid as noted in (a) 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 to finance CUCF facilities are accelerated pursuant to the occurrence of an event of default under the related Dormitory Authority bond resolutions. In such event, all such outstanding bonds of the Dormitory Authority could be due and payable and could, to the extent of fifty per cent of such principal amount, have a prior claim on the Per Capita Aid. The Dormitory Authority has outstanding $627.6 million in such bonds and anticipates, as shown in item (a) above, that an additional approximately $30 million of such bonds will be issued shortly.

The potential claims and liabilities related to the NYCTA noted in (c) above will be reduced in each fiscal year through the fiscal year ending June 30, 1983 and as a result the amount of Per Capita Aid subject to such prior claims will decrease. Assuming that State appropriations of Per Capita Aid remain constant at $434 million and no additional obligations having a claim on the Per Capita Aid are issued by HDC or to finance CUCF facilities (including the proposed issuances referred to above), the adjusted Per Capita Aid ("Adjusted Per Capita Aid") available to the Corporation would be as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Adjusted Per Capita Aid (Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$359,724</td>
</tr>
<tr>
<td>1980</td>
<td>380,132</td>
</tr>
<tr>
<td>1981</td>
<td>380,540</td>
</tr>
<tr>
<td>1982</td>
<td>380,948</td>
</tr>
<tr>
<td>1983 and thereafter</td>
<td>386,456</td>
</tr>
</tbody>
</table>

Aggregate Sales and Stock Transfer Taxes

Assuming that the Sales Tax and Stock Transfer Tax collections (after deduction of costs of administration, collection and distribution) in each fiscal year remain at the levels for the 12 months ended September 30, 1978, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax" and "Stock Transfer Tax", and operating expenses of the Corporation remain at $5.5 million (the estimate for the current fiscal year), the aggregate annual amount which would be available from the Sales Tax and the Stock Transfer Tax, if needed (the "Aggregate Sales and Stock Transfer Taxes"), to pay debt service of the Corporation is shown below:

| Sales Tax collections for the 12 months ended September 30, 1978 | $929,652 |
| Stock Transfer Tax collection for the 12 months ended September 30, 1978 | 334,723(a) |
| Sub-total | $1,264,375 |
| Less: Operating expenses of Corporation | 5,500 |
| Aggregate Sales and Stock Transfer Taxes | $1,258,875 |

(a) Exclusive of $64.958 million attributable to the 25% surcharge, discussed in "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Stock Transfer Tax."

Debt Service Requirements and Estimated Coverage Ratios

As shown above, the Adjusted Per Capita Aid ranges from approximately $359.7 million for 1979 to approximately $386.5 million for 1983. As is also shown above, Aggregate Sales and Stock Transfer Taxes are approximately $1.26 billion.
The following table shows the aggregate annual debt service payment requirements on the First Resolution Bonds, which have a prior claim to that of the Second Resolution Bonds on the Sales and Stock Transfer Taxes. The 1978 Series 10 Resolution and certain other resolutions include a covenant by the Corporation that it will not issue any Bonds, Notes or Other Obligations under the First General Bond Resolution if the aggregate annual debt service in any fiscal year on all obligations issued and outstanding under the First General Bond Resolution would exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes).

In addition, the table shows the annual principal payments, interest payments and the aggregate debt service payment requirements on all outstanding Second Resolution Bonds after giving effect to the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The table also shows the coverage of aggregate annual debt service on Second Resolution Bonds by:

(i) Adjusted Per Capita Aid, after deducting therefrom the $5.5 million estimated operating expenses of the Corporation for the current fiscal year, and by

(ii) all revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) after deducting from such revenues the aggregate annual debt service requirements with respect to the First Resolution Bonds and operating expenses.

There is no assurance, however, that Adjusted Per Capita Aid, Aggregate Sales and Stock Transfer Taxes or operating expenses will in fact remain at the levels referred to above in subsequent years. Furthermore, the Corporation reserves the right to issue additional obligations pursuant to the First and Second General Bond Resolutions within the limitations contained in such Resolutions, the 1978 Series 10 Resolution and the Financing Agreement.
### Debt Service Payment Requirements and Estimated Coverage Ratios

*(after issuance of 1978 Series 10 Bonds and 1978 Private Series Bonds)*

<table>
<thead>
<tr>
<th>12-Month Period Ended June 30</th>
<th>Total Debt Service Payment Requirements on First Resolution Bonds</th>
<th>Debt Service Payment Requirements on Second Resolution Bonds</th>
<th>Estimated Coverage Ratios on Second Resolution Bonds by(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Payments(a)</td>
<td>Interest Payments</td>
<td>Total Debt Service*</td>
</tr>
<tr>
<td>1979</td>
<td>$33,745</td>
<td>$161,229</td>
<td>$194,974</td>
</tr>
<tr>
<td>1980</td>
<td>36,555</td>
<td>208,906</td>
<td>245,461</td>
</tr>
<tr>
<td>1981</td>
<td>65,645</td>
<td>198,025</td>
<td>263,670</td>
</tr>
<tr>
<td>1982</td>
<td>70,150</td>
<td>192,726</td>
<td>262,876</td>
</tr>
<tr>
<td>1983</td>
<td>85,815</td>
<td>186,627</td>
<td>272,442</td>
</tr>
<tr>
<td>1984</td>
<td>116,485</td>
<td>178,455</td>
<td>294,940</td>
</tr>
<tr>
<td>1985</td>
<td>126,380</td>
<td>168,420</td>
<td>294,800</td>
</tr>
<tr>
<td>1986</td>
<td>149,670</td>
<td>157,019</td>
<td>306,689</td>
</tr>
<tr>
<td>1987</td>
<td>168,055</td>
<td>143,906</td>
<td>311,961</td>
</tr>
<tr>
<td>1988</td>
<td>183,475</td>
<td>129,571</td>
<td>313,046</td>
</tr>
<tr>
<td>1989</td>
<td>208,250</td>
<td>113,752</td>
<td>322,002</td>
</tr>
<tr>
<td>1990</td>
<td>220,120</td>
<td>96,415</td>
<td>316,535</td>
</tr>
<tr>
<td>1991</td>
<td>234,020</td>
<td>77,995</td>
<td>312,015</td>
</tr>
<tr>
<td>1992</td>
<td>252,585</td>
<td>58,231</td>
<td>310,816</td>
</tr>
<tr>
<td>1993</td>
<td>281,590</td>
<td>36,614</td>
<td>318,204</td>
</tr>
<tr>
<td>1994</td>
<td>42,970</td>
<td>23,479</td>
<td>66,449</td>
</tr>
<tr>
<td>1995</td>
<td>52,840</td>
<td>19,508</td>
<td>72,348</td>
</tr>
<tr>
<td>1996</td>
<td>62,810</td>
<td>14,701</td>
<td>77,511</td>
</tr>
<tr>
<td>1997</td>
<td>5,885</td>
<td>11,842</td>
<td>17,727</td>
</tr>
<tr>
<td>1998</td>
<td>5,785</td>
<td>11,356</td>
<td>17,141</td>
</tr>
<tr>
<td>1999</td>
<td>5,885</td>
<td>10,870</td>
<td>16,755</td>
</tr>
<tr>
<td>2000</td>
<td>8,525</td>
<td>10,273</td>
<td>18,548</td>
</tr>
<tr>
<td>2001</td>
<td>9,010</td>
<td>9,539</td>
<td>18,549</td>
</tr>
<tr>
<td>2002</td>
<td>9,810</td>
<td>8,739</td>
<td>18,549</td>
</tr>
<tr>
<td>2003</td>
<td>10,680</td>
<td>7,868</td>
<td>18,548</td>
</tr>
<tr>
<td>2004</td>
<td>11,630</td>
<td>6,920</td>
<td>18,550</td>
</tr>
<tr>
<td>2005</td>
<td>12,660</td>
<td>5,888</td>
<td>18,548</td>
</tr>
<tr>
<td>2006</td>
<td>13,785</td>
<td>4,764</td>
<td>18,549</td>
</tr>
<tr>
<td>2007</td>
<td>15,010</td>
<td>3,540</td>
<td>18,550</td>
</tr>
<tr>
<td>2008</td>
<td>16,345</td>
<td>2,207</td>
<td>18,552</td>
</tr>
<tr>
<td>2009</td>
<td>17,795</td>
<td>756</td>
<td>18,551</td>
</tr>
</tbody>
</table>

(a) Includes Sinking Fund Installments.

(b) Coverage ratios for the years 1997 to 2009 are not shown because of the relatively small amount of debt service in such years compared to the amount of revenues.

*Interest payments and coverage ratios estimated solely for the purposes of this calculation in this preliminary Official Statement assume: (1) that interest rates on the 1978 Private Series Bonds will be 8 1/4%, see the footnote on page 3, and (2) that interest rates on the 1978 Series 10 Bonds will be 8 1/2%.*
All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on the First and Second Resolution Bonds, shown in the table above for the years 1979-1995, from 3.83 times in 1995 to 2.35 times in 1989 and such coverages average approximately 2.66 times.

The Corporation anticipates that additional First and Second Resolution Bonds in the aggregate amount of approximately $2.3 billion will be issued over the next four years pursuant to the Debt Issuance Plan (after the issuance of the 1978 Series 10 and the 1978 Private Series Bonds), and that such issuances can be made within the coverage tests required to be applied under the Second General Bond Resolution, the 1978 Series 10 Resolution and certain other resolutions of the Corporation, see “PART 7—BONDS BEING OFFERED—Additional Bonds”, on the basis of the assumptions described in this PART 6 and reflected in the above coverage table. The Corporation estimates that if such principal amount of bonds is issued, the total annual debt service on Second Resolution Bonds will increase to approximately $500 million in the late 1980’s and early 1990’s, assuming for purposes of this calculation that such bonds are issued at rates comparable to current market rates.

In addition to the aggregate debt service payments with respect to the First Resolution Bonds shown in the above table, the Corporation is required to make deposits into the Capital Reserve Fund established pursuant to the First General Bond Resolution. The required deposit into the Capital Reserve Fund for calendar 1979 will have been provided from the proceeds of the 1978 Private Series Bonds. The deposit for the 1980 calendar year is estimated by the Corporation to be approximately $ million. The Corporation at present intends to provide for such deposit from the proceeds of the sale of additional bonds.

PART 7—BONDS BEING OFFERED

Description of the Bonds

General

The 1978 Series 10 Bonds will be issued pursuant to the Second General Bond Resolution and the 1978 Series 10 Resolution. The 1978 Series 10 Bonds will be dated November 15, 1978 and will mature on July 1, 2008.

The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon bonds and fully registered bonds will be interchangeable. The 1978 Series 10 Bonds will be registrable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the 1978 Series 10 Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new 1978 Series 10 Bond issued upon such exchange or transfer and any other expenses of the Corporation or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) will be paid by the Corporation as operating expenses.

Pursuant to the Act, the 1978 Series 10 Bonds include the 1978 State Covenant to the effect that the State will not take certain actions, including any action that will substantially impair the authority of the Control Board to act in specified respects with regard to the City. See “PART 12—AGREEMENT OF THE STATE OF NEW YORK.”
Optional Redemption

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot (by maturity as selected by the Corporation and by lot within a maturity, provided, however, that 1978 Series 10 Bonds redeemed in part pursuant to a refunding shall be redeemed so that the highest interest rates shall be first redeemed) on any interest payment date or dates, at the following redemption prices (expressed as percentages of the principal amount), plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 19</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 and thereafter</td>
<td></td>
</tr>
</tbody>
</table>

Sinking Fund Redemption

The 1978 Series 10 Bonds are also subject to redemption, in part by lot, 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 year, the principal amount of such 1978 Series 10 Bonds specified for each of the years shown below:

**SINKING FUND INSTALLMENTS**

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$ 8,275</td>
</tr>
<tr>
<td>2000</td>
<td>9,010</td>
</tr>
<tr>
<td>2001</td>
<td>9,810</td>
</tr>
<tr>
<td>2002</td>
<td>10,680</td>
</tr>
<tr>
<td>2003</td>
<td>11,630</td>
</tr>
<tr>
<td>2004</td>
<td>12,660</td>
</tr>
<tr>
<td>2005</td>
<td>13,785</td>
</tr>
<tr>
<td>2006</td>
<td>15,010</td>
</tr>
<tr>
<td>2007</td>
<td>16,345</td>
</tr>
<tr>
<td>2008</td>
<td>17,795*</td>
</tr>
</tbody>
</table>

* Payment at maturity.

Giving effect to the Sinking Fund redemptions set forth above, the average life of the 1978 Series 10 Bonds would be approximately 25 3/4 years calculated from November 15, 1978.

The Corporation may from time to time direct the Trustee to purchase with moneys in the Corporation's Bond Service Fund, 1978 Series 10 Bonds at or below par plus unpaid interest accrued to the date of such purchase, and apply any 1978 Series 10 Bonds so purchased as a credit, at par, against and in fulfillment of a required Sinking Fund Installment on such 1978 Series 10 Bonds. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Bond Service Fund.” To the extent the Corporation fulfills its sinking fund obligations in a particular year through such purchases, the likelihood of redemption by lot of any bondholder's 1978 Series 10 Bonds through the operation of the sinking fund will be reduced for such year. The Corporation has in the past made such purchases with respect to certain series of its Second Resolution Bonds and may in the future do so with respect to the 1978 Series 10 Bonds.
Trustee

United States Trust Company of New York is the Trustee under the Second General Bond Resolution. Its corporate trust office is located at 130 John Street, New York, New York 10038. For further information concerning the Trustee, see "PART 16—TRUSTEE."

Additional Bonds and Notes

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements), which amount was increased in June 1978 by the State Legislature from $5.8 billion. After the issuance of the 1978 Series 10 Bonds and the issuance of the 1978 Private Series Bonds pursuant to the Financing Agreement, the Corporation will have outstanding an aggregate $5.632 billion (exclusive of bonds that have been refunded), see "PART 3—OUTSTANDING DEBT OF THE CORPORATION."

Additional bonds may be issued under the Second General Bond Resolution on a parity with the 1978 Series 10 Bonds, provided that (a) the amount equal to the lesser of (i) the most recent collections of the Sales Tax and Stock Transfer Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amounts estimated to be collectible during the succeeding 12-month period from such sources as estimated by the State Commissioner of Taxation and Finance, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore 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 (c) 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 (d) estimated operating expenses of the Corporation for its then current fiscal year, is at least 2 times (e) the aggregate amount of the principal, including Sinking Fund Installments, and interest maturing or otherwise becoming due in the then current or any future fiscal year on all Second Resolution Bonds (including the particular series of such additional bonds then proposed to be issued). Although the Second General Bond Resolution provides for a 1.2 times coverage test on the basis described above, the 1978 Series 10 Resolution and certain other resolutions of the Corporation provide for a 2 times coverage test for such Bonds on such basis.

For so long as any 1978 Series 10 Bonds or certain other bonds of the Corporation remain outstanding, the Corporation may issue additional obligations under the First General Bond Resolution only to the extent that the issuance thereof would not cause the aggregate amount of interest and principal (including Sinking Fund Installments due thereon), maturing or otherwise coming due in any fiscal year of the Corporation on outstanding First Resolution Bonds and Notes and the interest on all Other Obligations (each such term as defined in the First General Bond Resolution) coming due in any fiscal year to equal or exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes that the Corporation may offer to the public under the First General Bond Resolution). In addition, the Corporation may issue additional First Resolution Bonds, Notes or Other Obligations under the First General Bond Resolution only if the following conditions imposed by such Resolution are met:

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

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation's bonds and notes outstanding at any one time under the First and Second General Bond Resolutions shall not exceed $8.8 billion. The Corporation has further agreed not to issue bonds other than pursuant to the First or Second General Bond Resolutions unless (i) the proceeds are used to purchase bonds of the City which have an investment grade rating and (ii) the City's operating budget for the fiscal year prior to the year of issuance shall have been balanced in accordance with GAAP. At June 30, 1982, when the Corporation's statutory authority to issue obligations, other than refunding obligations, expires, assuming the completion of all issuances of the Corporation's Bonds contemplated by the Debt Issuance Plan (other than in lieu of the public issuance of unguaranteed City bonds) the Corporation would have outstanding approximately $6.9 billion of bonds. The Act currently prohibits the Corporation from issuing bonds (except for refunding bonds) other than pursuant to the First and Second General Bond Resolutions. The Corporation has also agreed with the purchasers of the 1978 Private Series Bonds, that while the Financing Agreement is in effect, and unless such provision is waived or amended, it will not issue, renew, or refund short-term notes unless payment of principal of and interest on such notes is subordinated to payments required to be made under the First and Second General Bond Resolutions. The Corporation has agreed not to issue short-term notes or Second Resolution Bonds unless such notes and bonds are protected by a two-times coverage test applicable to the maximum annual debt service on such notes and bonds. The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its bonds may be limited, as described in "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement." These covenants of the Corporation contained in the Financing Agreement may be waived by, or modified with the consent of, Financial Institutions and City Pension Funds holding specified percentages of bonds purchased by them pursuant to the Financing Agreements. Furthermore, the covenants are of no further force and effect after neither the Financial Institutions nor the City Pension Funds any longer hold at least 10% of such bonds purchased by them.

The Second General Bond Resolution contains further limitations upon the issuance by the Corporation of additional obligations under the First General Bond Resolution, see "PART 14—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION."

Under the Act and the Second General Bond Resolution, collections attributable to the now expired surcharge on the Stock Transfer Tax may be includable in determining the amount of additional Second Resolution Bonds which may be issued pursuant to Section 202 of the Second General Bond Resolution. The Corporation has no intention of including in the calculations of debt service coverage, for the purposes of the issuance test described in paragraphs 1 and 2 above, any tax collections (including the 25% surcharge on the Stock Transfer Tax) attributable to any periods after the date on which such taxes are scheduled to expire pursuant to legislation in effect at the time of such calculation.

PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although the 1978 Series 10 Bonds are not obligations of the State, financial developments with respect to the State may affect the market or market prices for and sources of payment of the 1978
Series 10 Bonds. As described under "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS", the revenues of the Corporation that are pledged to payment of debt service on the Second Resolution Bonds derive from Per Capita Aid and in certain circumstances the Sales Tax and the Stock Transfer Tax. The payment of these revenues to the Corporation is subject to appropriation by the State Legislature. The State Legislature has made appropriations to the Corporation for each of the State’s fiscal years since 1976, including appropriations for the State’s current fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. It is possible that the willingness of the State Legislature to make such appropriations may in the future be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City. Such willingness might also be adversely affected if the Secretary of the Treasury of the United States of America (the “Secretary”) withheld payments to the State as an offset against any claim the Secretary might have against the City or State pursuant to the Federal Guarantee Act. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act.”

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

Long-Term Trends

The State and the City face serious potential long-term economic problems. The City accounts for approximately 40% of the State’s population and personal income, and the City’s financial health affects the State in numerous ways.

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

Certain manufacturing facilities have recently relocated to other states. This trend has been partially offset by the location of some new manufacturing facilities in the State and by the expansion of existing facilities in the State. Some corporate headquarters have also moved from New York City to locations outside the State.

Part of the reason for the long-term relative decline in the State economy has been attributed to the combined State and local tax burden, which is the highest in the 48 contiguous States. The existence of this tax burden limits the State’s ability to impose higher taxes in the event of future financial difficulties.

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

The growing burdens of State and local taxation, in combination with the many other causes of regional economic dislocation, may have contributed to the decisions of businesses and individuals to relocate outside, or not locate within the State. In order to bring about a reversal of these trends, the State has begun a series of tax reductions and other programs that are intended both to limit expansion in the public sector and encourage expansion in the private sector. No immediate reversal of the erosion of the State’s economic position relative to the nation as a whole has been projected, but the State anticipates that actions taken thus far will help to reverse or at least slow this trend over time.

Financial Difficulties of Fiscal Years 1975 and 1976

During the last several years, some of the State’s public benefit corporations ("Authorities") and municipalities (in particular, the City) have faced extraordinary financial difficulties, which have
affected the State’s own financial condition. These events, which included a default, since cured, on short-term notes issued by the Urban Development Corporation ("UDC") and a continuation of the financial difficulties of the City, created substantial investor resistance to securities issued by the State and by some of its municipalities and Authorities. For a time, in late 1975 and early 1976, these difficulties resulted in a virtual closing of public markets for State and many State-related securities.

The State’s fiscal year ending March 31, 1976 showed a deficit of $447 million, which was financed by transferring $65 million from reserve funds and by issuing $382 million of tax anticipation notes which were paid early in the State’s succeeding fiscal year.

**Events During Fiscal Years 1977 and 1978**

In response to the financial problems confronting it, the State developed and implemented programs for its fiscal year ended March 31, 1977 that included (i) the adoption of a balanced budget for the fiscal year (a deficit of $92 million that actually resulted was financed by issuing notes that were paid on June 14, 1977), (ii) a borrowing plan that provided for the State’s estimated borrowing needs of $4.53 billion for its 1977 fiscal year, (iii) a plan (the “Authority Build-Out Plan”) to meet the borrowing requirements through September 30, 1978 of four financially troubled Authorities (the “Build-Out Authorities”) and (iv) provisions for appropriations to certain Authorities as part of a program to complete projects under construction and that avoided defaults on outstanding obligations. In addition, legislation was enacted limiting the incurrence of additional so-called “moral obligation” and certain other Authority debt, which limitation does not, however, apply to debt of the Corporation.

The fiscal year ended March 31, 1978 saw an improvement in the financial condition of the State, its Authorities and municipalities generally, although certain municipalities (including the City) and certain Authorities continued to face financial difficulties. The State adopted and adhered to a balanced budget. Actual receipts were $11.181 billion and actual expenditures were $11.177 billion. The State also adopted and implemented a $4.96 billion borrowing plan. Nearly all of the capital financing and all of the seasonal financing were made through sales to the public at interest rates substantially lower than those that applied in the preceding fiscal year.

The State continued to provide substantial financial and budgetary assistance to the City and other localities during its 1978 fiscal year. The State again advanced $800 million in local assistance payments to the City, increased the level of State support for the City University of New York, assumed a greater share of county and city court costs, and provided additional financial assistance to counties outside the City and to the State’s five largest cities other than New York City to alleviate local tax burdens.

**Potential Problems In Current And Subsequent Fiscal Years**

**Program For The 1979 Fiscal Year**

As revised on October 5, 1978, the State Financial Plan for its fiscal year ending March 31, 1979, provides for receipts which exceed expenditures, with receipts of $12.436 billion and expenditures of $11.825 billion. Projected State receipts are approximately $400 million higher now than previously projected in the State Financial Plan of April 4, 1978 because (i) greater than anticipated improvements in the State economy are expected to generate approximately $150 million in additional receipts and (ii) actual timing and method of implementation of the personal income tax reduction program differed somewhat from the assumptions used originally and such differences are expected to result in approximately $250 million of additional receipts. The State expects to pay as much as possible of the $600 million difference between receipts and expenditures as personal income tax refunds on 1978 income year returns during the final quarter of its fiscal year.

The State Financial Plan for the 1979 fiscal year assumes a continuation of the modest recovery experienced by the State’s economy in the State’s 1978 fiscal year but does not assume a reversal during the State’s 1979 fiscal year of the erosion in recent years of the State’s economic position relative to the national economy. Although the use of certain non-recurring receipts and the virtual exhaustion of
reserve funds to cover deficits in prior fiscal years have diminished the State's financial options in the event receipts are less, or expenditures are more, than those projected in the State Financial Plans, the State has informed the Corporation that the excess of receipts over expenditures presently forecast for the State's 1979 fiscal year, to the extent not used to pay personal income tax refunds, would appear sufficient to meet any reasonably foreseeable adverse contingency.

The State originally provided for implementation of a $4.24 billion borrowing plan for the fiscal year ending March 31, 1979. It is now anticipated that actual requirements will be approximately $80 million less, reflecting a decline in capital expenditures. The State also provided for adoption of a new borrowing plan for the Build-Out Authorities ("Build-Out Plan II") which was implemented when the Authority Build-Out Plan expired on September 30, 1978. Under Build-Out Plan II, $1.2 billion of financing, primarily short-term, is to be provided to the Build-Out Authorities to meet their financing requirements through September 30, 1980. As of October 2, 1978, the State estimated that approximately $616 million of financing would be required for the Build-Out Authorities prior to March 31, 1979. Approximately $495 million of such amount represents bond anticipation notes of the Build-Out Authorities for which commitments have been received from private and State related sources. The remaining $121 million is expected to be provided by the sale of bonds or bond anticipation notes of Build-Out Authorities to State related sources or to other buyers through public or private sales. A substantial portion of the financing for certain programs provided under Build-Out Plan II may, as currently contemplated, be represented by bond anticipation notes when Build-Out Plan II ends on September 30, 1980. If the Build-Out Authorities are then unable to renew such bond anticipation notes or sell bonds in the public market, other actions will be necessary to meet payments for maturing notes and construction payments.

The State has informed the Corporation that neither the State nor any Authority having the benefit of a "moral obligation" provision is in default in the payment of the principal or interest on any bond, note or other evidence of indebtedness constituting a general obligation of the State or such Authority.

Problems of Authorities

The fiscal stability of the State is related, at least in part, to the fiscal stability of the Authorities. Various Authorities have issued bonds secured, in part, by statutory provisions for non-binding State appropriations to maintain various debt service reserve funds established for such bonds (commonly referred to as the "moral obligation" provision). Several Authorities, including some of those that have reentered the public securities market, still face potentially serious problems, particularly in their housing programs.

Among the more important problems of the Authorities are those related to Co-op City, a tenant cooperative on which an Authority, the New York State Housing Finance Agency ("HFA"), holds a $390 million mortgage financed under its non-profit housing program. Co-op City has faced financial difficulties for over three years growing out of a tenants' rent strike in opposition to higher rents. The financial condition of Co-op City, and, therefore, the financial condition of the non-profit housing program of HFA, remain uncertain at this date.

An agreement, which runs from August 1, 1977, through October 31, 1979, provides for increases in rent and co-operators' equity investments, discontinuance of a foreclosure action against the co-operators, resumption of mortgage payments to HFA (other than the June 1977 payment which is not addressed by the agreement), introduction by the Governor of legislation for a comprehensive program for certain state-aided housing (which legislation has not been enacted), and other matters.

In September and October 1978, Co-op City failed to make payments of $679,000 and $554,000, respectively, of the approximately $2.3 million monthly mortgage payment due to the HFA in each of those months. In November 1978, Jamie Towers, another non-profit housing project on which the HFA holds a $12.3 million mortgage, failed to pay $174,000 of a $428,000 semi-annual mortgage payment then due. The HFA is presently considering procedures for the collection of such mortgage arrearages. On November 1, 1978, as a result of such mortgage repayment arrearages and arrearages arising out of
the 1977 Co-op City agreement and a June 1977 mortgage payment not addressed by the 1977 agreement. HFA made a withdrawal from its non-profit housing debt service reserve funds in the amount of $4.6 million to pay required debt service. To the extent that moneys received from tenants and other sources are insufficient to cover such withdrawal or further withdrawals that may be made from the non-profit housing debt service reserve funds to pay required debt service, the State will be called upon to make appropriations, possibly substantial in amount, pursuant to the statute authorizing the HFA bonds (i.e., the "moral obligation" provision). The State Financial Plan contains provision for an amount sufficient to reimburse the non-profit housing debt service reserve fund for the recent withdrawals.

Co-op City is also the subject of various litigations. New York City has instituted a foreclosure action to collect real property taxes in arrears, which the City alleges aggregate $23 million and for which no provision for payment has been made in the current agreement. A number of Co-op City residents have commenced an action challenging the legality of the increased cooperators' equity investment that is part of the agreement. HFA and others are also involved in litigation in which certain residents and former residents of Co-op City allege fraud, breach of fiduciary duty and other violations of law regarding their contractual relations with the mortgagor under the Co-op City mortgage and seek various remedies, including damages of $233 million. The tenant-owned corporation that manages Co-op City has brought a cross-claim against HFA and others seeking $200 million in damages on the allegation that inadequate supervision of construction by State agencies will result in the need for remedial construction. HFA and the State Division of Community Housing and Renewal have entered a denial of the allegations in such cross-claim.

An engineering study was commissioned by the State to determine the nature, extent and cause of certain site conditions at Co-op City. The study was released on June 16, 1978 and the Co-op City tenants estimated that $55 million to $75 million would be needed to remedy certain defects. The State and HFA are currently reviewing the study.

The State cannot at this time determine the effect these factors may have on the agreement with Co-op City tenants or the extent to which that agreement may be carried out, nor can it determine the ultimate effect that the Co-op City settlement arrangements may have on other similar housing programs or on the ability to meet debt service payments on obligations issued to finance such housing programs.

In 1975, UDC, a major Authority, defaulted on certain of its short term notes, which default was cured as a result of various actions by the State and others. The State projects a continuing requirement to provide assistance to UDC. Based on current projections, UDC will require State appropriations totalling $170 million through the State's 1988 fiscal year (ranging from a low of $9 million in 1979 to a high of $25 million in 1984), to meet its requirements. Failure to make such appropriations would result in a default on $1.1 billion of UDC obligations. A default by UDC could interrupt the flow of Federal revenues and other income needed to operate projects originally built by UDC and now securing the obligations of the New York State Project Finance Agency ("PFA"), another Authority, and could lead to a default by PFA. Federal subsidy payments provide a substantial portion of the money needed for debt service on these obligations, and failure to meet certain Federal requirements could jeopardize these subsidies.

The Battery Park City Authority ("BPCA") has issued $200 million of "moral obligation" project bonds for the development of the landfill and infrastructure for a residential and commercial project in New York City. BPCA, as of April 30, 1978, had spent approximately $76.8 million of that amount on site acquisition, preparation and administration and, as of May 1, 1978, had paid an additional $73.7 million of that amount in debt service on outstanding bonds. The proceeds from such bond sale together with income derived from the investment of such proceeds, if not expended on construction, are estimated to be sufficient to meet administration costs and debt service on BPCA bonds only until 1984, at which time $192 million of BPCA bonds will still be outstanding. Although financing has not yet been obtained for construction of revenue producing facilities that would enable BPCA to meet its obligations on the bonds, BPCA anticipates the issuance of $80 million of housing bonds secured in part by a mortgage insured by HUD in an amount up to $68.5 million, which bonds would not be backed by the "moral
obligation" of the State. The proceeds from the bond offering would be used to develop part of the residential portion of the overall project. Even if such financing is obtained and the anticipated development is successful, BPCA will require the development of additional revenue producing facilities, costing in excess of an estimated $1 billion, to enable it to meet its obligations on the project bonds originally issued. If sufficient additional revenue producing facilities are not developed, it is likely that the State will be requested to make payments on the project bonds pursuant to the "moral obligation" provisions of the legislation governing the issuance of BPCA bonds.

Among other problems generally faced by Authorities, future increases in operating costs and interest rates may result in a need for increased rents, fees or user charges in Authority-financed projects, particularly residential housing projects and medical care facilities. Inability or unwillingness to pass increased costs on to residents or users of such projects would adversely affect the fiscal stability of the Authorities, and possibly cause the State to be requested to make appropriations to support such projects. There is no assurance, however, that the Legislature would make such appropriations.

Litigation

Various litigations are pending that may, if decided adversely to the State or the localities involved, adversely affect the State. Among the more significant of these litigations are those that challenge: (i) the constitutionality of an agreement among the State, the County of Albany and the City of Albany for construction and financing by the County for long-term lease to the State of the Empire State Plaza in Albany, and by extension any similar arrangements to which the State is a party (as of September 30, 1978, obligations incurred for construction of facilities to be leased to the State by various public authorities and municipalities were outstanding in an aggregate of approximately $796 million for such municipalities and approximately $3,124 million for such authorities); (ii) the validity of approximately $74 million of State bond anticipation notes, issued in March 1976 to reimburse the State's General Fund for capital expenditures in prior fiscal years, of which amount approximately $53 million were issued for back-bonding purposes, and by extension the validity of an additional approximately $58 million in such debt issued during the 1977 fiscal year which would also be affected by the outcome of the litigation; (iii) the constitutionality of the present system of levying taxes and applying funds for public school purposes; (iv) the authority of the Director of the Budget to withhold or impound local assistance funds to control or avoid deficits; (v) the validity and fairness of agreements and treaties by which the Oneida Indians transferred title to the State to approximately six million acres of land in central New York; (vi) the adequacy of supervision by certain State agencies over the construction of Co-op City, which failure will allegedly result in the expenditure of large sums of money for remedial construction and has resulted in claims of $200 million in damages by the tenant-owned corporation that manages Co-op City; (vii) the State's conduct in suppressing the 1971 Attica uprising; (viii) the valuation of a major utility company's franchises in 43 municipalities and the taxes based on such valuations; (ix) the fulfillment by the State of various obligations arising out of contracts entered into by the State's Department of Transportation; (x) the collection of unemployment insurance taxes under a State statute permitting the payment of unemployment insurance during strikes; and (xi) the methods and rates the State uses to make reimbursement for Medicaid services.

The present system of levying taxes and applying funds for public school purposes was ruled unconstitutional by the State Supreme Court (a trial court) in June 1978. The Legislature was afforded the opportunity to develop alternative financing plans. Pending development of such plans, the current system would be permitted to continue unless specifically enjoined. The State has announced that it intends to appeal the decision. It is extremely unlikely that there will be an effect on the State's tax structure, budget or economy during the 1979 fiscal year and the decision is unlikely to have a direct impact during the following year. However, unless the effects of the decision are modified by legislation, the decision would entail substantial additional State expenditure sometime in the future, which could affect the State tax structure, its budget and, possibly, its economy.

In the Spring of 1978, the State Court of Appeals (the State's highest court) held unconstitutional State legislation that authorized certain cities and city school districts with fewer than 125,000 persons
to, in effect, impose a special increase of real property tax rates in order to raise funds for pension contributions and for certain other uses, and also held unconstitutional a state tax on real property in such cities and school districts to be imposed in the event the Court of Appeals held unconstitutional the provision authorizing such increased local real property tax rates. Over $100 million annually was collected pursuant to rates in excess of the State constitutional limits in reliance on this legislation. Replacement of lost revenues has been provided in part through an increase in the assessed valuation of the real property in the affected localities. In addition, State loans aggregating up to $52 million have been authorized for certain school districts. These measures are expected to enable the affected cities and school districts to balance their budgets for their current fiscal years.

In May, 1978, the State Court of Appeals affirmed a decision requiring the State to include as local expenses eligible for partial State reimbursement certain fringe benefit costs incurred for certain health programs by Erie County during the third quarter of 1975. If the opinion were extended to include expenses of all counties retroactive to such quarters, the total State liability would approximate $50 million. The Supplemental Budget permits the State to deduct from any current aid payments to any county an amount equivalent to the amount paid to such county for such fringe benefit costs.

PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY

Although bonds of the Corporation are not obligations of the City, financial developments with respect to the City may affect the market or market prices for the Second Resolution Bonds, including the 1978 Series 10 Bonds. The Corporation believes that its ability to repay the Second Resolution Bonds is not dependent upon the financial condition of the City. However, economic and demographic conditions in the City may affect the levels of Sales Tax receipts and Per Capita Aid, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax” and “Per Capita Aid”. During the time the Bonds are outstanding, the City will be the subject of reviews and reports by various agencies of Federal and State Government, see “PART 11—VARIOUS CONTROL PROGRAMS”, and will publish annual audited financial statements.

This section describes the City’s Four Year Financial Plan, the cash sources the City has identified to cover its cash needs through its 1982 fiscal year, major assumptions and uncertainties with respect to these matters, and some of the financial difficulties the City is expected to face during the Four Year Financial Plan period and subsequently.

As required by the Act, the City has submitted and the Control Board has approved a financial plan for the 1979 fiscal year (as modified and approved, the “1979 Financial Plan”) in which it projects total revenues to equal or exceed total expenditures, after the adjustments permitted by the Act, as described below. The City has also prepared financial plans for the 1980-1982 fiscal years (together with the 1979 Financial Plan, as approved by the Control Board, the “Four Year Financial Plan”). These projections show potential operating budget deficits or budget gaps that the City proposes to close through a combination of Federal, State and City actions, many of which involve the passage of new legislation or adoption of new programs. There can be no assurance that projections of budget gaps will not increase or that such legislation and programs, or others which provide a comparable degree of assistance, will be enacted and adopted.

To meet the long-term and seasonal financing needs of the City during the period of the Four Year Financial Plan, the Debt Issuance Plan has been developed under which the Financial Institutions, City Pension Funds and State Pension Funds have agreed to make certain purchases of bonds of the Corporation and bonds and notes of the City. The Corporation and the City also plan to offer certain bonds and notes in the public markets. The Debt Issuance Plan is subject to a substantial number of conditions, among which are requirements that the City close the projected budget gaps to meet budgetary and financial requirements contained in State and Federal law, including the Act, and in the Guarantee Agreement, the Financing Agreement, and the Seasonal Agreement. Failure to meet
any of these conditions could adversely affect implementation of the Debt Issuance Plan. See "PART 2—FOUR YEAR DEBT ISSUANCE PLAN" and "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

It is an objective of the Four Year Financial Plan and the Debt Issuance Plan to enable the City to meet its financing needs after the 1982 fiscal year without reliance on continued financing assistance from the Federal government. The City and the Corporation currently expect this objective to be achieved if all the goals and requirements of such plans are met. Should this objective not be met, there is no assurance that the State or Federal government would continue programs similar to those relied on in the past and relied on as part of the Four Year Financial Plan and the Debt Issuance Plan, or develop new programs to provide budgetary and financing assistance to the City. See "Expiration of Plan," in this PART 9.

The following description is only a brief summary of the complex factors affecting the City's financial condition. This section is based entirely on information reported to the Corporation by the City, the Control Board, the Special Deputy State Comptroller, presented in the Three Year and Four Year Financial Plans, or contained in other reports and statements referred to herein.

Financial Difficulties of 1975

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

In response to this crisis, the State in June 1975 created the Corporation (1) to issue long-term bonds and other obligations to provide funds to pay maturing City short-term notes and to meet certain operating expenses of the City, and (2) to monitor compliance with a series of financial reforms on the part of the City described under "PART 11—VARIOUS CONTROL PROGRAMS." In response to the City's continuing financial difficulties and upon recommendation of the Corporation, the State Legislature, in September 1975, adopted the Emergency Act, which created the Control Board. See "PART 11—VARIOUS CONTROL PROGRAMS." Among other State actions was an advance to the City at the end of the City's 1975 fiscal year of $800 million of State assistance moneys due the City in the succeeding fiscal year (an action repeated in each of the next three fiscal years).

Three Year Financial Plan: Fiscal Years 1976-1978

After it lost access to the public credit markets, the City took a number of steps which were intended to enable it to balance its budget, and to regain access to the public credit markets. As required by the Emergency Act, these included accounting reforms and development of a three-year financial plan (the "Three Year Financial Plan") to provide for a budget balanced in accordance with the Uniform System of Accounts for Municipalities, as modified for application to the City (the "Uniform System of Accounts, as adjusted") by the 1978 fiscal year. As permitted by the Act, the Uniform System of Accounts, as adjusted, contains two major deviations from GAAP. It permits accounting for contributions to employee retirement systems on a cash basis rather than on an accrual basis, and it authorizes including certain expense items in the City's capital budget in decreasing amounts during a phase-out period.

To provide short and long-term financing for the City, the City and the Federal government entered into an agreement (the "Federal Loan Agreement"), pursuant to Federal legislation, which provided the City with seasonal financing for three years, and the Corporation, the Commercial Banks and the City Pension Funds entered into an agreement to provide the City with long-term financing through June 30, 1978, through the sale of bonds of the City to the City Pension Funds, and through certain other
actions taken by the Commercial Banks and City Pension Funds. The Corporation also sold bonds in the public credit markets and paid the proceeds to the City, and exchanged certain of its bonds for outstanding short-term notes of the City. In addition, in November 1975, the State Legislature enacted the New York State Emergency Moratorium Act (the "Moratorium Act"), which suspended the rights of holders of short-term notes of the City to bring suit to enforce payment of such notes. In November 1976, the State Court of Appeals held the Moratorium Act unconstitutional. The $1.802 billion of short-term obligations affected by this decision were subsequently provided for, including $1.2 billion which were exchanged for Second Resolution Bonds.

To improve its accounting practices and to facilitate an audit of the City's financial statements, the City undertook the design and implementation of the integrated financial management system ("IFMS") to eliminate the fragmented set of systems and data processing facilities that had developed and to substitute in their place a single unified financial system. The City has reported that most elements of IFMS (including the recording of City expenditures and revenues) were implemented on June 30, 1977, are performing smoothly, and have provided the information necessary to perform the audit. Additional elements relating to payrolls and not necessary for the performance of the audit have been added to IFMS since June 30, 1977. It may be some time before these elements are operating in a satisfactory manner.

When the Three Year Financial Plan was first submitted to the Control Board for approval, it projected budget gaps in accordance with the Uniform System of Accounts, as adjusted, of approximately $1 billion, $600 million, and $700 million in the 1976, 1977, and 1978 fiscal years, respectively. To reduce the 1976 and 1977 gaps and close the 1978 gap the City took action to reduce the number of its employees, entered into labor contracts with the municipal labor unions consistent with the assumptions contained in the Three Year Financial Plan and with the wage guidelines adopted by the Control Board, increased the transit fare, and began charging general tuition at the City University of New York. In addition, the City received additional State and Federal revenues not projected in its initial Three Year Financial Plan submission. The results under the Three Year Financial Plan reported by the City Comptroller in accordance with the Uniform System of Accounts, as adjusted, were operating deficits of $968 million for the 1976 fiscal year and $329 million for the 1977 fiscal year. If the deficits in the City's operating budget were reported in accordance with GAAP, the City Comptroller has estimated that the effect would be to increase the reported deficits for the 1976 and 1977 fiscal years to approximately $1.870 billion and $1.039 billion, respectively.

The City's 1978 financial statements were audited by a consortium of accounting firms headed by Peat, Marwick, Mitchell & Co. The statements report results in accordance with the Uniform System of Accounts, as adjusted, as well as results reported in accordance with GAAP. Under the Uniform System of Accounts, as adjusted, the General Fund shows a surplus of $32 million; the General Fund deficit, when reported in accordance with GAAP, was $712 million.

The opinion of Peat, Marwick, Mitchell & Co. states that the City does not maintain complete records of its general fixed assets and that therefore a Statement of General Fixed Assets was not presented as required by GAAP. The opinion also states that the City's ability to obtain financing and balance its budget in accordance with GAAP within four years depends on assumptions and events which cannot be assured. The opinion also states that pending real estate tax certiorari proceedings, if decided adversely to the City, could have a substantial financial impact on the City for which no provision has been made. See "Litigation" in this Part 9. The opinion concluded that "subject to the effects, if any, on the financial statements of the ultimate resolution of the real estate tax issue" the financial statements present fairly the financial position and results of operations for the City's various funds in accordance with GAAP. A management letter, which may suggest changes in the City's reporting and accounting practices, is expected to be provided to the City at a later date.

The City planned to re-enter the public credit markets through an underwritten offering of its revenue anticipation notes in November 1977 to meet a portion of its seasonal financing needs. However, Moody's Investors Service Inc. gave the notes a Moody's Investment Grade ("MIG")-4 rating.
Loans bearing a MIG-4 rating are deemed by Moody's to be of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative. This rating was lower than anticipated, and the City, based on advice from its underwriters, cancelled the note offering and met all of its seasonal financial needs for the balance of the 1978 fiscal year through borrowing under the Federal Loan Agreement.

Four Year Financial Plan: Fiscal Years 1979-1982

Although the City accomplished the budgetary and accounting objectives of the Three Year Financial Plan, it did not regain access to the public credit markets. The agreements providing for Federal seasonal loans and for the sale of bonds of the City to the City Pension Funds, were to expire on June 30, 1978, the Control Board was to terminate within a few months of that date if it determined that the City's fiscal 1978 budget had been balanced as required and the Corporation had almost reached the limit of its issuance authority. The City, the Corporation, the Control Board and others, therefore, proposed a combination of actions intended to provide for the City's seasonal and long-term financing through the 1982 fiscal year and to enable the City to reenter the public credit markets, including development of the Debt Issuance Plan and the Four Year Financial Plan, extension of the Control Board, an increase in the Corporation's debt issuance authority, elimination of the State advance, and reduction of the City's seasonal financing requirements. The State and Federal legislation necessary to this program have been enacted and the agreement necessary to implement the Debt Issuance Plan will be signed on November 19, 1978. See "Part 10—Legislation and Agreements Relating to the Debt Issuance Plan" and "Part 11—Various Control Programs—Control Board."

Under the Act and the Emergency Act, for the fiscal years 1979 through 1981, the City's operating budget is to be balanced in accordance with the Uniform System of Accounts, as adjusted, and to show substantial progress in each year toward a budget balanced in accordance with GAAP. For the fiscal year 1982 and thereafter, the City is required to adopt an operating budget balanced in accordance with GAAP.

Pursuant to the Emergency Act, the City is also required to develop before the beginning of each fiscal year a financial plan for the next four fiscal years. On November 9, 1978, the Control Board approved the Four Year Financial Plan for the City for fiscal years 1979 through 1982, including a modification to the 1979 Financial Plan. The Control Board also approved 1979 Financial Plans for agencies not under the direct control of the mayor but subject to Control Board review (the "covered organizations") and directed the City to submit financial plans for the covered organizations for fiscal years 1980 to 1982 by November 22, 1978.

The Four Year Financial Plan projects for fiscal year 1979 an operating budget balanced in accordance with the Uniform System of Accounts, as adjusted. For the fiscal years 1980 and 1981, the Four Year Financial Plan estimates budget gaps of $439 million and $879 million, respectively, determined in accordance with the Uniform System of Accounts, as adjusted, and in fiscal year 1982, a budget gap of $1,028 million, determined in accordance with GAAP. The City anticipates closing these budget gaps by a combination of City, State and Federal actions.

The estimates in the Four Year Financial Plan are based on past revenues received and expenditures incurred, as well as analyses of economic trends and the status of legislation affecting the City's finances. Although the City believes that its estimates are reasonable, budgetary projections are inherently uncertain of attainment and subject to continuing change and reevaluation, especially when they extend over several years and are heavily dependent upon non-controllable events and the City has explicitly disclaimed any representation or warranty that such estimates will be realized. Material changes were made in the City's estimates of various revenues, expenses and cash flow during the term of the Three Year Financial Plan, and similar changes have been made and are to be expected during the term of the Four Year Financial Plan.

The Four Year Financial Plan is based on numerous assumptions that could, if not realized, result in material increases in the projected levels of expenditure or material decreases in the projected levels.
of revenue. Unless offset by other changes, any such adverse effects would cause, or increase, a budget gap, which would require the development or utilization of appropriate responses in order to provide for operating budgets balanced in accordance with applicable standards.

The City's ability to achieve a balanced budget in any fiscal year is further affected by policies established by the State and Federal governments, such as eligibility requirements for CETA, welfare, Medicaid, civil rights and environmental protection regulation and other mandated costs and practices. Furthermore, even if estimated budget gaps do not increase above the levels projected in the Four Year Financial Plan, many of the City's proposals to close the estimated budget gaps require Federal or State legislation or administrative action. Timely adoption and implementation of any particular proposals, or of any combination of proposals or alternatives that have the necessary cumulative effect, must be considered uncertain. To the extent that these measures prove to be unavailable or do not provide increased revenues, the City may be required to tighten controls on expenditures to an extent greater than anticipated.

1979 Financial Plan

The 1979 Financial Plan projects a budget balanced in accordance with the Uniform System of Accounts, as adjusted. To offset a decline in projected Federal revenues since the plan was first approved, the plan, as modified November 9, 1978, implements a selective hiring and promotion freeze announced by the Mayor on September 15, 1978 projected to produce a 2.7% decline in the number of City funded employees at the end of the 1979 fiscal year compared to the start of the fiscal year. The modification also revised certain revenue estimates and provided for implementation of a number of management improvement actions to offset $63 million of potential expenditure increases and revenue shortfalls identified by the Control Board. The Control Board identified additional potential shortfalls of $120 million, including an $80 million revenue shortfall if the purchase by the State from the City of title to land for building the Westway highway project does not occur. The Control Board also identified $50 million in potential additional revenue sources and $12 million of potential City actions which, together with the unearmarked $100 million general reserve, were considered sufficient to permit approval of the modification.

Fiscal Years 1980-1982

The Four Year Financial Plan was developed by projecting revenues and expenditures from existing sources and for existing programs. To the extent that projected revenues are insufficient to provide for a budget balanced as required under the Act, the City has identified "budget gaps" in future years, which it anticipates closing by a combination of Federal, State and City actions. The City projects budget gaps of $439 million in the fiscal year 1980, $879 million in fiscal year 1981, and $1,028 million in fiscal year 1982. The Control Board Staff Report on the Four Year Financial Plan dated November 7, 1978 (the "Control Board Staff Report") concluded that, assuming a moderate increase in State and Federal aid, the plan provided a reasonable basis for assuming that the City will achieve a balanced budget under GAAP by fiscal year 1982. It stated, however, that it will be very difficult to implement programs to reduce the budget gaps without a serious impact on City services and that service reductions could affect economic development efforts and ultimately the City's revenue base.

To close the 1980 gap of $439 million, the City plans to take actions yielding $139 million in expenditure reductions or revenue increases and proposes that the State and Federal governments provide $300 million of additional assistance. For fiscal years 1981 and 1982 the proposed City contributions toward closing the gaps are $303 million and $427 million, respectively, and the State and Federal contributions proposed by the City are $576 million in 1981 and $601 million in 1982.
Planned City actions in 1980, 1981 and 1982 include attrition at the rate of 4% in each year, resulting in savings projected at $67 million, $172 million and $273 million, respectively, assuming wage costs in fiscal years 1981 and 1982 at the 1980 level. The Mayor has stated his intention to present to the Control Board in December 1978 a detailed workforce reduction program by agency and program to accomplish the attrition planned for 1980. He further stated that the City will consider hospital closings by HHC, may seek cooperation of the State to close excess beds in voluntary hospitals, and may propose to eliminate or reduce other programs and services. Additional planned management improvement and cost containment programs have been specified for 1980 and will be developed, if necessary, for the 1981 and 1982 fiscal years.

A variety of possible State and Federal actions have been proposed by the City and others which, if all were enacted and implemented, could provide the City with more than $1.4 billion in additional annual revenues. The amounts of the budget gaps proposed to be closed by such actions in fiscal years 1980, 1981 and 1982 are $300 million, $576 million and $601 million, respectively. It is unlikely that all of these proposals will be implemented during the period of the Four Year Financial Plan and there can be no assurance that enough of these actions, or others, will occur to provide the funds necessary to close these gaps.

The requirement that the City prepare a Four Year Financial Plan causes it to do advance detailed financial planning. The City must project its revenues from the State and Federal Governments before those governments have planned their expenditures for future years. During the period of the Three Year Financial Plan, the City projected that budget gaps comparable to those now projected would be closed by City actions and receipt of State and Federal revenues from programs not yet then enacted. The City was sufficiently successful in its own cost-saving and revenue-generating programs during that period and received sufficient State and Federal assistance to reduce its deficits under the Uniform System of Accounts, as adjusted, below the initially projected levels in its 1976 and 1977 fiscal years, and to report no deficit for fiscal 1978.

Notwithstanding the increases in State and Federal aid since 1975, the receipt of further large increases in Federal and State aid to close budget gaps must be regarded as uncertain.

The Special Deputy State Comptroller for New York City (the "Special Deputy State Comptroller") in reports dated September 29, 1978 and November 3, 1978 expressed uncertainty with respect to particular State and Federal actions proposed by the City and with respect to the projections of aggregate amounts to be provided by State and Federal actions to close the projected budget gaps. He estimated that, after taking into account increases in State and Federal revenues included in the City's revenue estimates, the increase in State and Federal aid from fiscal year 1980 to fiscal year 1982 necessary to close the projected gaps would exceed the growth in State and Federal assistance received by the City during the period from fiscal year 1977 to 1979. The reports concluded that because of the constraints on the ability of the State to increase its level of support to local governments, and the move toward a balanced Federal budget, the opportunities for increased assistance have been limited and the City's assumption regarding growth of Federal and State aid must be regarded as uncertain. The Control Board Staff Report also expresses the judgment that the City will not attain its maximum projection of increased Federal and State aid although the report indicates that it is not unreasonable for the City to expect some additional assistance.

At the request of the Control Board, the City has developed a supplemental program of City actions to reduce the budget gap, in the event of a shortfall in State and Federal assistance from the desired level. This supplemental program includes a 6% attrition program, various expenditure reductions, and potential increased revenues from local sources.

A second supplemental program of extraordinary additional City actions has been developed to reduce the budget gap still further. This program would require 8% attrition, the termination of half of all CETA employees partially funded by the City and either reductions in pay to all workers or layoffs.
After implementation of both these supplemental programs, the State and Federal actions projected as necessary to close the remaining budget gaps are $189 million, $201 million and $119 million in fiscal years 1980, 1981 and 1982, respectively.

The Control Board and the Special Deputy State Comptroller have reviewed the proposed City actions to evaluate whether they are achievable and what their impact will be. Their initial findings indicate that portions of the City program appear attainable, others are less likely of implementation without having an adverse effect on City operations and service delivery, and significant portions of the programs cannot be evaluated properly without further documentation. Both the Control Board and the Special Deputy Comptroller have requested the City to provide additional information with regard to the cost containment programs.

Reviewing the City’s proposals, the Control Board Staff Report and the Special Deputy State Comptroller indicate that the City faces substantial difficulties in balancing its operating budgets during the Four Year Financial Plan and thereafter. For example, many actions to reduce expenditures were taken during the period of the Three Year Financial Plan; it will be more difficult to make further reductions in expenditures or to limit their growth during the period of the Four Year Financial Plan. Collections of real estate taxes may be reduced as a result of a State Court of Appeals decision and recent legislation that require all real property to be assessed at 100% of full value by January 1, 1981. Such assessment would cause substantial shifts in real property tax burdens—greatly increasing taxes on one and two family homes—and should the City choose to mitigate those effects, substantial revenue losses could result. See “Litigation” in this PART 9. The Four Year Financial Plan assumes no increase in wage rates or benefits payable in contracts to be negotiated in 1980, and the Special Deputy State Comptroller has expressed reservations about the City’s failure to make additional provisions for labor settlements in the 1981 and 1982 fiscal years. The City also assumes that its costs for other-than-personal-services will increase at a rate less than the rate of inflation. City contributions to the Health and Hospitals Corporation (“HHC”) and other covered organizations may exceed amounts provided in the Four Year Financial Plan, which provides for only limited increases in the subsidies to each organization; in the past, when the need for increased subsidies has arisen, the City has provided the necessary funds.

Efforts to increase revenues through higher taxes may be counterproductive; substantial resistance by labor groups to personnel reductions can be expected, and reductions in services may cause relations with various community groups to deteriorate. To the extent that the anticipated State and Federal actions to close projected budget gaps are not taken, additional City actions, including further expenditure reductions will be necessary.

There can be no assurance that the City will be able successfully to carry out the actions it proposes to take to balance its operating budget as required or develop and implement alternative actions, although the Mayor has stated his commitment to do so.

Cash Sources

The City projects meeting its net cash needs during the period of the Four Year Financial Plan from Federal and State aid, seasonal borrowings, the sale of Guaranteed City Bonds issued pursuant to the Guarantee Agreement and the sale of unguaranteed bonds to the public, the proceeds of the sale of certain bonds of the Corporation issued in the public credit markets and pursuant to the Financing Agreement, and, in fiscal year 1979, the sale of certain federally insured mortgages on City financed housing projects.

In the 1979 fiscal year the City anticipates that its need for cash from sources other than the scheduled receipt of taxes and other revenues will be substantially reduced from its needs in recent years. Projected seasonal borrowing needs are anticipated to be $750 million for the 1979 fiscal year, compared to needs of $1.9 billion in 1978, which were met through Federal seasonal loans. The reduction is due in part to the planned funding by the City, from the proceeds of the sale of the Cor-
poration's bonds and other available moneys, of the $800 million advance by the State of State assistance moneys which was made in each of the 1975 to 1978 fiscal years.

The City Pension Funds and Commercial Banks have agreed, subject to certain conditions, to loan to the City $750 million evidenced by City notes. The City also intends to offer its notes for sale to the public; the commitment of the Commercial Banks and Pension Funds to purchase notes will be reduced by the amount of any such public sales. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Seasonal Agreement."

The City projects its seasonal financing needs at between $800 million and $1 billion a year for the 1980, 1981 and 1982 fiscal years. Although the City may be able to meet all or a portion of its requirements in the public credit markets, no commitments by private sources to purchase the remainder of these notes, if the City is unable to sell them to the public, have yet been received.

No assurance can be given that the City's projections of when it will receive money from any of these cash sources will be met. Among other factors, the number and potential difficulty of the conditions which must be met before any sale of notes or bonds of the City or the Corporation pursuant to the Guarantee Agreement, the Financing Agreement, or the Seasonal Agreement takes place could prevent or delay any such sale. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

Litigation

The City is a defendant in a significant number of lawsuits pertaining to material matters including those claims asserted which are incidental to performing routine governmental and other functions. As of June 30, 1978, claims in excess of $17 billion were outstanding against the City for which the City estimates its aggregate potential future liability to be $770 million. The City provides in its Four Year Financial Plan for the amount of claims anticipated to be settled during each year.

In addition to the above claims and proceedings, numerous real estate tax certiorari proceedings are presently pending against the City on grounds of alleged inequality of assessment. These proceedings present a question with regard to the appropriateness of and weight to be afforded the equalization rate fixed by the State Board of Equalization and Assessment in determining the ratio of assessed value to full value in cases involving taxpayer challenge to assessments of real estate. Similar litigation has been commenced in other localities in the State, and in certain such localities, court decisions have been adverse to the taxing authority. An adverse decision to the City involving this issue could have a substantial adverse impact on the City. It has been estimated by the City's Real Property Assessment Bureau that the potential exposure to the City should an adverse decision be rendered could amount to as much as $1.8 billion. Remedial legislation has been enacted to limit and reduce such liability; however, this legislation is also being challenged. No provision for this potential exposure if any, has been made in the City's Four Year Financial Plan.

For a description of additional litigation which relates to provisions of the 1978 Amendments intended to enable the City to limit the costs of labor settlements, see "PART 14—LITIGATION."

Expiration of the Plan

The Four Year Financial Plan currently covers the fiscal years of the City ending with the 1982 fiscal year. Pursuant to the Emergency Act, before each fiscal year, the City is required to develop a four year financial plan projecting an operating budget balanced in accordance with GAAP for such year and projecting the City's budgetary and financing needs for the three succeeding fiscal years. It is anticipated that such financial plans for the succeeding fiscal years will show budget gaps for which additional Federal, State and City gap-closing actions may be necessary.

In 1983 and subsequent fiscal years, the City may face substantial budgetary and financing difficulties of a nature similar to those faced during the course of the Four Year Financial Plan. For a discussion of long-range financial and economic problems potentially facing the State, many of which are also faced by the City, see "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE—Long Term Trends."
For fiscal year 1983 and thereafter, the City has no commitments for the provision of either short-term or long-term financing. The City plans to meet such financing needs in the public credit markets. If it is not possible for the City to sell its notes and bonds, on reasonable terms and in sufficient amounts, there is no assurance that either the Federal government or the State would continue programs of budgetary and financing assistance similar to those currently being relied on.

**Federal Bankruptcy Legislation**

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

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

The filing of such a Chapter 9 petition would cause a failure of a condition to the obligation of the Financial Institutions and City Pension Funds to purchase bonds of the Corporation and could cause the Secretary to refuse to guarantee any additional City bonds and to withhold Federal aid payable to the City or the State pursuant to the Federal Guarantee Act.

Although the filing of such a petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a materially adverse effect on the Corporation’s ability to repay its obligations, including the 1978 Series 10 Bonds. The filing of such a petition, as with other financial developments with respect to the City, might affect the market and market price for the 1978 Series 10 Bonds.

The revised Chapter 9 referred to in “PART 5—Provisions for Payment of the Bonds—Federal Bankruptcy Legislation” will not materially alter the provisions of the present Chapter 9 that are described above.

**PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN**

The financing requirements of the City during the Four Year Financial Plan are expected to be fulfilled through the sales of obligations of the Corporation and obligations of the City pursuant to the Debt Issuance Plan, see “PART 2—Four Year Debt Issuance Plan” and “PART 9—Certain Developments Affecting the City—Cash Sources.” As described more fully in this Part 10, the implementation of the Debt Issuance Plan required the enactment of certain State and Federal legislation and the execution of the Agreements. The obligation of each of the purchasers to make the purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirements that the City adopt and adhere to operating budgets for fiscal year 1982, and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), and that specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State. Although the Corporation believes implementation of the Agreements and other elements of the Debt Issuance Plan is achievable, no assurance can be given that the applicable conditions of the Agreements
will in the future be satisfied, or if satisfied that such purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

State Legislation

In June 1978 and September 1978, the 1978 Amendments were enacted amending the Act in order to permit the Corporation to fulfill elements of the Debt Issuance Plan relating to it. Prior to the passage of the 1978 Amendments, the Corporation had virtually exhausted its statutory authority to issue its bonds and notes. The 1978 Amendments increased from $5.8 billion to $8.8 billion the amount of bonds and notes (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City’s seasonal financing requirements) which may be issued by the Corporation, and it expanded the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments to the City for any item which is permitted to be included in the City’s capital budget, (ii) payments which will have the effect of reducing the City’s requirements for State advances of State assistance moneys payable to the City, (iii) payments into the Guarantee Fund, and (iv) the financing of the City’s seasonal borrowing requirements. The 1978 Amendments also extended the latest date on which the Corporation may issue obligations by two years to June 30, 1982 and increased the maximum maturity of obligations from twenty to thirty years, provided that no note or bond may mature later than July 1, 2008. Any note issued by the Corporation to finance the City’s seasonal borrowing requirements must mature in the same fiscal year in which it is issued. Payments made by the Corporation to the City for capital items (exclusive of those expense items permitted by law to be included in the City’s capital budget during the period of the phase-out of such items from the capital budget) must be evidenced by bonds of the City to be repaid on a schedule comparable to that for the bonds of the Corporation.

The 1978 Amendments also amended the Emergency Act to extend the duration of and to revise the duties and powers of the Control Board and to provide for the 1978 State Covenant. See “PART 11—VARIOUS CONTROL PROGRAMS—Control Board” and “PART 12—AGREEMENT OF THE STATE OF NEW YORK.” For a description of litigation challenging certain of such provisions of the 1978 Amendments, see “PART 14—LITIGATION.”

Federal Guarantee Act

In August 1978 the Federal Government enacted the Federal Guarantee Act to authorize the Secretary to guarantee the payment of principal and interest on indebtedness of the City or the Corporation issued or to be issued to employee pension funds of the City or of the State or of their agencies, including the City Pension Funds and the State Pension Funds (“Guaranteed Indebtedness”). Such guarantees are subject to annual limitations and may not exceed $1.65 billion in aggregate principal amount outstanding. Federal guarantees are expected to be applied only to indebtedness of the City.

The Secretary’s authority to issue guarantees terminates on June 30, 1982, and any such guarantee is required to lapse not later than fifteen years after the date of issuance of the indebtedness guaranteed or upon transfer of the indebtedness by a City or State pension fund (other than by transfer not involving a change in beneficial ownership).

The Federal Guarantee Act calls for the Secretary to collect a guarantee fee from the issuer computed at a daily rate of not less than 1/2 of 1% per annum on the outstanding principal amount of Guaranteed Indebtedness, and this fee may be increased without limit by the Secretary in order to induce the issuer to enter the public credit markets.

The issuance of all guarantees is subject to statutory limitations and conditions and such other conditions as the Secretary may impose. Prior to issuing any guarantee, the Secretary must determine, among other things, that (i) the City is effectively unable to obtain upon reasonable terms and conditions sufficient credit in the public credit markets or elsewhere to meet the City’s borrowing needs; (ii) the interest rate on such Guaranteed Indebtedness is reasonable; (iii) there is a reasonable prospect that the Guaranteed Indebtedness will be repaid in accordance with its terms and
conditions; (iv) during the 1979 through 1982 fiscal years the long-term and short-term borrowing needs of the City (other than borrowing guaranteed under the Federal Guarantee Act) will be met by the State, an agency of the State, private sources or through the public credit markets in amounts that will enable the City after the 1982 fiscal year to meet its long-term and short-term borrowing needs through the public credit markets; (v) the Control Board is requiring the City (a) to adopt and adhere to operating budgets balanced in accordance with GAAP for the 1982 fiscal year and thereafter, (b) to make substantial progress toward that goal during fiscal years 1979 through 1981, and (c) prior to the 1982 fiscal year, to adopt and adhere to operating budgets balanced in accordance with accounting principles established under State law; (vi) the City has submitted a Four Year Financial Plan for the then current and three succeeding fiscal years which will result in budgets balanced as required by the Guarantee Act; (vii) the Control Board has demonstrated to the satisfaction of the Secretary that it has the authority to control the fiscal affairs of the City during the period Guaranteed Indebtedness is outstanding; (viii) in fiscal years 1980-1982, except during any year in which the City has presented a budget balanced in accordance with GAAP, the State has furnished assurance to the Secretary that State financial assistance to the City will not be less than was provided in fiscal year 1979; and (ix) the City has agreed to offer to sell for distribution to the public short-term notes in the 1980, 1981 and 1982 fiscal years and long-term bonds in the 1981 and 1982 fiscal years, unless the Secretary determines that any such offer would be inconsistent with the financial interests of the City.

The Secretary must also make the following determinations as a condition to issuing guarantees (all of the agreements of the City referred to below are provided for in the Agreement to Guarantee):

1. To provide for retirement of Guaranteed Indebtedness in advance of maturity, the City has agreed that in each year following the 1982 fiscal year the City will pay or provide for the payment of indebtedness then guaranteed, giving priority to indebtedness having the longest maturity, in a principal amount not less than 15% of the net proceeds of obligations of the City (and of obligations of the Corporation the proceeds of which are paid to the City) issued in the public credit markets during such year. The City also has agreed that as soon as practicable after the Secretary determines that the City has demonstrated its ability to meet its long-term credit needs through the public credit markets, the City will implement a program satisfactory to the Secretary for refunding any outstanding Guaranteed Indebtedness to achieve complete repayment at the earliest practicable date. Both such requirements are subject to the Secretary's consideration of the effect of such requirements on the City's ability to meet its long-term credit needs in the public credit markets.

2. To provide for monitoring of the financial condition of the City for such time as any Guaranteed Indebtedness remains outstanding, the City has agreed to submit to the Secretary, after the close of each fiscal year during which any Guaranteed Indebtedness is outstanding, an opinion of independent public accountants setting forth the results of an audit of the financial statements of the City and describing any deviation from GAAP. The City has agreed to establish an audit committee to assist in determining the areas of inquiry for, and to review and evaluate, such audits. In addition, during such time as Guaranteed Indebtedness is outstanding, the Secretary is authorized to inspect all documents of the City or the Corporation relating to the City's financial affairs and the General Accounting Office may make such audits of the City or the Corporation as may be deemed appropriate by the Comptroller General. The City also has agreed to establish a productivity council to develop and seek to implement methods for enhancing the productivity of the City's labor force.

3. At the time any guarantee is made by the Secretary, the State or a State agency (in this case, the Corporation) has deposited in a fund (the Guarantee Fund) an amount which together with amounts previously deposited therein, shall equal not less than 5% of the principal of, plus 5% of one year's interest on, the Guaranteed Indebtedness outstanding (including the amounts to be guaranteed at the time the deposit is made). Amounts on deposit in the fund shall be used to pay, or to reimburse the Treasury for paying any principal of and interest on such indebtedness that the issuer of the Guaranteed Indebtedness fails to pay. See "PART 4—USE OF PROCEEDS." In addition, if the Federal Government has any claims against the City or the State pursuant to the Federal Guarantee Act, the Federal Guarantee Act requires the Secretary to provide for the withholding of payments from the United States to the City or State that may be or may become due pursuant to any law.
The City and the State are required to be meeting their obligations under the Federal Guarantee Act at the time of each issuance of a guarantee.

The Secretary may authorize guarantees in the 1982 fiscal year (other than carryover authority from the three prior fiscal years) only if he determines that the City has presented a budget for the 1982 fiscal year that is balanced in accordance with GAAP. The Federal Guarantee Act provides that in addition to the terms and conditions for the issuance of guarantees set forth therein, the Secretary may require other terms and conditions which he deems appropriate. See "Guarantee Agreement" in this PART 10.

No assurance can be given that the City will be able to meet the conditions necessary to enable it to obtain Federal guarantees in fiscal years 1980, 1981 and 1982, if required. For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Federal Guarantee Act, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY". Furthermore, either the United States House of Representatives or the Senate may disapprove guarantees in either or both the 1980 and 1981 fiscal years, in whole or in part.

Pension Legislation

In October 1978, the Federal Government enacted legislation ("Pension Legislation") that has the effect of exempting from certain "prohibited transactions" and "exclusive benefit" provisions of the Internal Revenue Code purchases by the City and State Pension Funds of bonds and notes to be sold to them as part of the Debt Issuance Plan.

The provisions of the Pension Legislation apply to purchases of obligations of the Corporation and of the City by City Pension Funds pursuant to an agreement approved by the Secretary. In the case of a City Pension Fund, the general standard to be applied by the Secretary in approving an agreement is the extent to which such purchases will (1) maintain the City's ability to make future contributions to the City Pension Funds and to satisfy its future obligations to pay pension and retirement benefits and (2) protect the sources of funds to provide retirement benefits to members and beneficiaries. To approve such an agreement the Secretary must consider the terms of the proposed purchases and receive satisfactory assurances that the State, a State agency, private sources, or public markets will participate significantly in the acquisition of obligations of the City or the Corporation. No acquisition may be made unless the Secretary determines that the City is complying with the budget and financial reporting conditions of the Federal Guarantee Act, and no such acquisition after March 15, 1980 may be made by a City Pension Fund unless a copy of its most recent annual report and statement of projected cash flow, which must comply with certain prescribed standards, have been submitted to the Secretary.

An acquisition of obligations of the City or the Corporation made by the City or State Pension Funds satisfies the requirements of the Pension Legislation only if: (i) in the case of a State Pension Fund, no more than 10 percent of its assets consists of indebtedness of the City or the Corporation at the time of the acquisition; (ii) in the case of a City Pension Fund, no more than 50 percent of its assets consists of such indebtedness at the time of the acquisition and the aggregate amount of such indebtedness held by all the City Pension Funds and the New York City Fire Department Pension Fund, Article 1-B at the end of the prior fiscal year shall not have exceeded specified percentages of their combined assets (for the 1979, 1980, 1981, and 1982 fiscal years the percentages are 40, 36, 33, and 30 percent of their combined assets, respectively) and (iii) after the acquisition of such bonds, such City Pension Fund will have a positive cash flow for the fiscal year in which such obligations were purchased.

Financing Agreement

The obligations of the Financial Institutions and City Pension Funds to make the purchases called for by the Financing Agreement are subject to many conditions, certain of which are referred to below.

A purchase scheduled to be made pursuant to the Financing Agreement is required to be made only if substantially all scheduled purchases under the Debt Issuance Plan have been made at such time
and if the Guarantee Agreement, including the obligations of the City and State Pension Funds to make the purchases required thereby, shall be in full force and effect, and shall not have been amended or modified in any material respect or any material provision thereof waived, and the United States shall have guaranteed and the City and State Pension Funds shall have purchased substantially all of the Guaranteed Bonds theretofore to have been guaranteed and purchased pursuant to such Agreement. For a description of statutory conditions required to be fulfilled in order that the Guarantee Agreement remain in full force and effect, see "Federal Guarantee Act" in this Part 10.

Certain of the conditions contained in the Financing Agreement are directly related to the financial condition and prospects of the City and the authority of the Control Board to control the fiscal affairs of the City. Among the conditions applicable at the time of each purchase are the following: (i) the Control Board must have determined, in effect, that the borrowings reflected in the City's then current financial plan will be sufficient to satisfy the City's seasonal and long-term borrowing requirements during the period covered by such plan; (ii) an agreement (the "Adherence Agreement") executed by the City with the Financial Institutions and City Pension Funds to comply with the provisions of the Emergency Act, must be in full force and effect and the City must not be in breach thereof; (iii) the City's reported operating budget deficit, if any, for the fiscal year prior to any purchase, the projected operating budget deficit, if any, for the then current fiscal year, and the City's seasonal borrowing needs for the then current fiscal year, do not exceed specified limits; and (iv) the Control Board must determine that the City is in substantial compliance with outstanding orders of the Control Board. Additionally, there must be no default in payment of principal of or interest on any indebtedness, or in payment of certain contracts of, the Corporation, the City, the State or any general obligations of any agency whose obligations are backed by the "moral obligation" of the State; the 1978 State Covenant, as described in "Part 12—Agreement of the State of New York", must be included in the bonds and must not have been amended or modified in any material respect; and the Resolutions and the Act must not have been amended in any way adverse to the interests of the Financial Institutions or City Pension Funds.

The pendency of certain litigation relating to certain of the powers or duties or the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Financing Agreement would also cause a failure of a closing condition under the Financing Agreement. The obligations of the City Pension Funds to make the purchases called for in the Financing Agreement are subject to the enactment of certain State legislation relating to the powers and duties of the Funds, the City making all contributions to such Pension Funds on a specified regular basis, and the qualification of such purchases under the Pension Legislation. The obligation of the Financial Institutions to make the purchases called for is conditioned upon the exclusion from gross income for Federal income tax purposes of interest on the bonds purchased or to be purchased not having been threatened by reason of specified legislative, judicial or administrative actions having been taken.

In addition to the conditions described above, at the time of each purchase there shall have been no governmental actions or liens that result in a material adverse change in the prospects for payment of the principal of or premium, if any, or interest on the bonds to be purchased and the bonds to be purchased must have an investment grade rating from Standard & Poor's Corporation and Moody's Investors Service, Inc.

The Financing Agreement requires that funds advanced by the Corporation to the City for capital expenditures shall be evidenced by City bonds and that City bonds received by the Corporation prior to July 1, 1982 shall include the 1978 State Covenant. It further requires that prior to March 31, 1979, the Corporation shall exchange at least $20 million aggregate principal amount of City bond anticipation notes it currently holds for an equal principal amount of City bonds containing the 1978 State Covenant and requires the Corporation, in certain instances, to take action to enforce the 1978 State Covenant.

For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Financing Agreement, see "Part 9—Certain Developments Affecting the City."
Any bonds purchased pursuant to the Financing Agreement, other than the 1978 Private Series Bonds, will bear interest at a rate computed in accordance with a formula specified in the Agreement. The formula takes into account various market factors and will result in a rate equal to or somewhat higher than the rate at which such bonds would be successfully distributed in the public credit markets.

**Guarantee Agreement**

The Guarantee Agreement provides, subject to the fulfillment of numerous conditions, that the City and State Pension Funds will purchase, and the United States will guarantee the payment of the principal of and interest on, up to $500 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1979 and up to $250 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1980. In addition, the Agreement permits the Secretary, subject to the same conditions, to guarantee, on behalf of the United States, up to an aggregate of $900 million of City bonds sold to the City and State Pension Funds in fiscal 1981 and 1982 (with no more than $300 million in fiscal 1981), to the extent that the Secretary determines the City and the Corporation are unable to sell their bonds on reasonable terms in the public credit markets. The City and State Pension Funds have agreed to purchase in fiscal 1981 and 1982 up to $900 million principal amount of City bonds which the United States may guarantee in those years.

Prior to the giving of any guarantee under the Guarantee Agreement, the Secretary must determine that all conditions required by the Federal Guarantee Act have been fulfilled. See "Federal Guarantee Act" in this PART 10. Issuance of Federal guarantees under the Guarantee Agreement also is subject to certain additional conditions among which are the following: Guarantees are required to be made under the Guarantee Agreement only if substantially all scheduled purchases under the Debt Issuance Plan have been made at the time of any issuance by the City of bonds to be guaranteed. The City must be in substantial compliance with its then current four year Financial Plan. The Financing Agreement must be in full force and effect without material amendment, modification or waiver not approved by the Secretary. The Emergency Act must remain substantially in full force and effect, the City must be in substantial compliance therewith, including the borrowing limits imposed on the City by such Act. The pendency of certain litigation relating to certain of the powers or duties or the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Guarantee Agreement would also cause a failure of a closing condition under the Guarantee Agreement.

Bonds guaranteed pursuant to the Guarantee Agreement must mature serially within 15 years from the date of issuance. The Federal guarantee lapses upon any transfer of the bonds, other than a transfer not involving a change in beneficial ownership. The Guarantee Agreement requires the City to pay a guarantee fee equal to 1/4 of one percent per annum of the outstanding principal amount guaranteed, which percentage may be increased without limit by the Secretary in order to induce the City to reenter the public credit market.

As required by the Federal Guarantee Act, the City has made all agreements required to be made as a condition to the Secretary's issuance of guarantees. See "Federal Guarantee Act" in this PART 10.

The Guarantee Agreement also provides for the establishment of the Guarantee Fund by the Corporation. As required by the Federal Guarantee Act, prior to the issuance of any Federal guarantee, an amount equal to five percent of the sum of the principal of and one year's interest on the outstanding and then to be issued Guaranteed City Bonds is required to have been deposited in the Guarantee Fund, see "PART 4—USE OF PROCEEDS." Additionally, the Corporation has agreed to surrender for cancellation, without payment, the notes of the City it currently holds, other than bond anticipation notes. The Corporation has further agreed to surrender such bond anticipation notes for cancellation, to exchange them for City bonds or to make other provisions with respect to their payment satisfactory to the Secretary on or before March 31, 1979 or such later date as the Secretary shall agree.

For a description of certain conditions and plans of the City which may affect the fulfillment of various conditions contained in the Guarantee Agreement, the Federal Guarantee Act and the Pension Legislation, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."
Seasonal Agreement

The Seasonal Agreement provides commitments by the Commercial Banks and the City Pension Funds to make loans evidenced by revenue anticipation notes of the City (the “Notes”) in an aggregate principal amount of up to $750 million during the 1979 fiscal year. Notes due in April would be issued by the City in anticipation of State aid to education, State welfare assistance anticipated to be received in April 1979 and notes due in June 1979 would be issued by the City in anticipation of State aid to education and higher education, State welfare assistance, State Per Capita Aid and Sales Tax and Stock Transfer Tax collections payable to the City after satisfaction of the Corporation’s funding requirements. All Notes would contain the pledge of the City of its faith and credit.

The Seasonal Agreement provides that the aggregate amount to be made available under such Agreement will be $500 million on and after the date of such Agreement with an additional $250 million made available on and after January 1, 1979. The commitment to make loans expires on March 30, 1979, and the aggregate amount of the commitment is reduced by the amount of any notes maturing prior to July 1, 1979 issued by the Corporation to satisfy the City’s seasonal financing needs or issued by the City other than pursuant to the Seasonal Agreement.

The interest rate on the Notes is to be determined by a formula based on the Federal Funds Rate but may not in any event be less than 7.5% or exceed 9.5%. The Notes may be prepaid by the City, unless a lender elects on a specified date to exchange Notes for notes having the same form as notes, if any, sold by the City in the public credit markets and bearing interest at a rate equal to the yield to maturity on publicly traded City notes at approximately the time of exchange. The City has also agreed to pay a commitment fee equal to one-half percent per annum of the amount of the available commitment plus the amount of the outstanding Notes prior to exchange, subject to reduction in certain circumstances.

The Seasonal Agreement contains conditions to make loans substantially similar to those contained in the Financing Agreement with respect to purchases required to have been made pursuant to the Financing Agreement and the Guarantee Agreement. In addition, the Seasonal Agreement requires, that the City’s cash flow statements do not show a seasonal financing need as of the date of such statements or for the remainder of the 1979 fiscal year in excess of $750 million. Among the other conditions to loans contained in the Seasonal Agreement are those relating to waiver by the Secretary of certain priorities of the United States and those relating to the revenues in anticipation of which the Notes are to be issued and the prospects for the payment of the Notes when due.

The City has covenanted to employ its best efforts to satisfy the maximum practicable amount of its seasonal borrowing requirements (taking into account yield, maturity and other factors) through sales of notes to the public. The City has also covenanted to comply with the provisions of the Emergency Act, and the Four Year Financial Plan. The City is to include the 1978 State Covenant in the Notes.

For a discussion of certain conditions and plans of the City that may affect fulfillment of certain conditions contained in the Seasonal Agreement, see “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

PART 11—VARIOUS CONTROL PROGRAMS

This PART describes the powers of the Corporation to aid the City, the requirements imposed upon the City by the Act and the Emergency Act, and the powers of the Corporation and the Control Board to review and take action with respect to the City’s compliance with such requirements. For a description of other budgetary and financial requirements imposed upon the City pursuant to the Federal Guarantee Act, the Pension Legislation and the Agreements, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”
Powers of the Corporation

The Act authorizes the Corporation to make direct payments to or purchase obligations of the City, subject to the conditions described under "Conditions to Payments to the City" in this Part 11. Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements).

The Corporation may pay to the City part or all of the amounts certified by the Mayor to be required by the City (a) to pay principal and interest on short-term City obligations at maturity, (b) to pay any item permitted to be included in the City's capital budget, (c) to reduce the City's requirements for an advance of State assistance moneys, (d) to meet the City's seasonal borrowing requirements, or (e) to pay operating expenses of the City other than those included in (b), (c) or (d). Amounts received pursuant to (a) must be held in trust by the City and used for such purpose. All other amounts received must be used to pay such expenses for which certification has been made. City obligations issued in consideration for payments pursuant to (a) or (e) must mature within 15 years from the date of issuance. Amounts advanced pursuant to (e) may not exceed $2.0 billion in aggregate principal amount outstanding; as of the date hereof, such advances aggregate $1.9997 billion. Amounts paid pursuant to (b), other than for expense items permitted to be included in the capital budget, must be evidenced by City bonds that mature on substantially the same schedule as bonds of the Corporation issued to make such payments.

The Corporation is authorized 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. As of the date hereof, the Corporation has issued $1.839 billion aggregate principal amount of Second Resolution Bonds in exchange for an equal principal amount of outstanding short-term obligations of the City.

Any short-term obligations of the City held by the Corporation (other than bond anticipation notes) may be delivered to the City for cancellation without payment of principal or interest thereon. Bond anticipation notes held by the Corporation may not be delivered to the City for cancellation without payment of principal and interest unless the Mayor and the City Comptroller have requested that they be delivered for cancellation. City bonds held by the Corporation may not be delivered to the City for cancellation without payment unless they are refunded or renewed. In addition, City bonds may not be sold or transferred to anyone other than the City unless the Mayor and the City Comptroller have requested such action.

Conditions to Payments to the City

The Act provides that, at the time of any purchase by the Corporation of City obligations or any exchange of the Corporation's bonds or notes for 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 Act provides that the statutory conditions, as modified by the Corporation and agreed to by the City, shall cease to apply when all bonds and notes of the Corporation have been repaid or such repayment is provided for as specified in the Act.

The statutory conditions 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-incurred power. These conditions, and the City's compliance therewith to date, may be briefly summarized as follows:

(1) The City has informed the Corporation that as required by the Act as in effect before passage of the 1978 Amendments, the City adopted as its method of accounting the accounting principles set forth in the Uniform System of Accounts, as adjusted. The City's audited financial statements provided to the Corporation for the City's 1978 fiscal year were prepared and those to be prepared for each subsequent fiscal year are to be prepared in accordance with GAAP, with the
adjustments necessary to show results in accordance with the Uniform System of Accounts, as adjusted, for fiscal years 1978 through 1981.

(ii) The Act, as in effect after passage of the 1978 Amendments, requires the City to comply with various provisions of the Emergency Act relating to balanced budgets, provisions for debt service and other financial requirements. The City remains obligated to submit its proposed operating budgets (and any subsequent increases in expenditures therein) and operations reports for each fiscal year and each quarter to the Corporation for review as to whether the City is adhering to an operating budget in which the total of all income equals or exceeds the total of all expenditures, after the adjustments permitted by the Act.

(iii) The Act sets forth two tests for the issuance by the City of its short-term notes. Under one test the sum of the aggregate principal amount of the City's outstanding short-term obligations plus the aggregate principal amount of certain outstanding bonds and notes of the Corporation may not exceed a specified amount. Under the second test, the sum of the aggregate principal amount of the City's outstanding short-term obligations (excluding bond anticipation notes) plus the aggregate principal amount of certain bonds and notes issued by the Corporation, whether or not still outstanding, may not exceed another specified amount. The Corporation is required to police these limits by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates the debt limits and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation anticipates that neither limit will prevent the City from issuing any of the short-term obligations contemplated in the Four Year Financial Plan.

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 operating budget will not be balanced in accordance with the Act, or that any of the conditions summarized above have not been fulfilled or should be modified, the Corporation must notify the Governor, the Mayor and certain other State and City officials and must disclose such determinations to the public.

Control Board

The Control Board, created pursuant to the Emergency Act in 1975, is composed of the Governor and Comptroller of the State, the Mayor and Comptroller of the City and three appointees of the Governor: Francis J. Barry (a member of the Board of the Corporation), John C. Sawhill and Stanley Shuman. (Two of the gubernatorial appointees must be residents of, or have their principal place of business in, the City). The Executive Director of the Control Board Donald D. Kummerfeld, has resigned effective November 16, 1978. Comer Coppie, formerly Director of the Budget of Washington, D.C. has been named as his successor. Sidney Schwartz is Special Deputy State Comptroller empowered to assist the Control Board and the Corporation in carrying out their functions. Non-voting representatives may be appointed to the Control Board by the lieutenant governor, by the temporary president and the minority leader of the Senate, by the Speaker and the minority leader of the Assembly, by the president, the vice-chairman and the minority leader of the City Council and by the Board of Estimate of the City.

The most significant powers of the Control Board are exercisable during a “control period,” defined in the Emergency Act to mean the period ending when (i) there is no longer effective or outstanding any Federal guarantee (see "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act"), (ii) the Control Board has determined that the City has adopted and adhered to an operating budget balanced in accordance with GAAP for each of the three immediately preceding fiscal years, and (iii) the State and City Comptrollers have jointly certified that securities sold by or for the benefit of the City during the preceding and current fiscal year in the public market satisfied the capital and seasonal financing requirements of the City during such period and that there is a substantial likelihood that such securities can be sold in the public credit markets through the end of the next succeeding fiscal year in amounts that will satisfy substantially all of the capital and seasonal financing requirements of the City during such period. Thereafter, a control period is to be reimposed by the Control Board at such times and for such durations as are made necessary by
the actual (or substantially likely and imminent) occurrence of certain events relating to the City's ability to pay its bonds and notes when due or its ability to adopt or adhere to a balanced operating budget or to satisfy its capital and seasonal financing needs in the public markets. After the termination of a control period, the Control Board is required to consider annually whether, in its judgment, any of the specified events have occurred. No control period may extend beyond the earlier of (i) July 1, 2008 or (ii) such date as no bonds or notes containing the 1978 State Covenant remain outstanding and there is no longer effective or outstanding any guarantee issued pursuant to the Federal Guaranty Act.

During a control period, the four year financial plans of the City, including modifications thereof are subject to review and approval by the Control Board. In addition, the Control Board may formulate a financial plan, in the event a plan shall not have been approved prior to the beginning of the first fiscal year covered by such plan, and may modify a plan, in the event a modification required pursuant to the Emergency Act shall not have been approved within the time period specified by such Act. The Control Board is required to disapprove a financial plan or financial plan modification if the plan or modification is incomplete or fails to comply with the applicable standards specified in the Emergency Act, except that the Control Board may authorize a method of phasing the requirements of any changes in GAAP into the operating budget over a reasonable period if immediate compliance would cause a substantial adverse impact on the delivery of essential services. The Control Board may also approve modification to a financial plan that would cause the financial plan to no longer be in compliance with the applicable standards if compliance would result in a material adverse impact upon the delivery of essential services because of unforeseen events during the fiscal year. Beginning with the 1983 fiscal year, any deficit in the City's operating budget must be provided for in the following fiscal year.

The Control Board's current program for determining the City's compliance with its financial plan includes monitoring the City's 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 a control period all revenues, funds and accounts of the City and any covered organization are revenues, funds and accounts of a fund established pursuant to the Emergency Act (the "Board Fund") and are held for the account of the City or the appropriate covered organization except to the extent prohibited by law or previous agreement relating to outstanding securities and except for moneys deposited into a City debt service fund, or repayment accounts for tax or revenue anticipation notes. Responsibility for disbursements from and day-to-day management of the Board 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, subject to certain conditions. The Control Board has the power to exempt revenues, funds or accounts from these requirements.

In addition to its responsibilities with respect to the four year financial plans, during a control period the Control Board is also charged with responsibility for the review and approval of proposed contracts or obligations of the City and the covered organizations, including any arrangement whereby the revenue or credit of the City would be encumbered for the payment of any obligations of certain public benefit corporations, not including the Corporation, and, in coordination with the Corporation, the approval of long-term or short-term borrowing by the City or any covered organization.

PART 12—AGREEMENT OF THE STATE OF NEW YORK

The State has pledged to and agreed with the holders of the Corporation's bonds, including the Second Resolution Bonds, that the State will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with holders of any such bonds, or in any way impair the rights and remedies of such holders, until any such 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.

Pursuant to the 1978 Amendments, with respect to any notes or bonds of the City issued after September 28, 1978 and prior to July 1, 1982, and with respect to any bonds of the Corporation
issued after September 28, 1978, the City is authorized and the Corporation is authorized and required to include the 1978 State Covenant in any agreement with holders or guarantors of such notes or bonds. By the terms of the 1978 State Covenant, the State agrees not to take any action that will (a) substantially impair the authority of the Control Board during a control period to approve, disapprove or modify any financial plan or modification, to disapprove contracts of the City or covered organizations, to approve or disapprove proposed borrowings of the City or covered organizations, and to establish procedures for deposits to and disbursements from the Bond Fund; (b) substantially impair the authority of the Control Board to review financial plans and modifications, contracts and proposed borrowings of the City or covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the Control Board such that a majority of the voting members are not elected State officials or appointees of the Governor; (e) terminate the existence of the Control Board before the earlier of July 1, 2008 or the date when all notes or bonds containing the 1978 State Covenant are no longer outstanding and there is no longer effective or outstanding any Federal guarantee; (f) substantially modify the requirement that the City’s financial statements be independently audited; or (g) alter the definition of control period or substantially alter the authority of the Control Board to reimpose or terminate a control period. The Emergency Act provides that the pledge and agreement of the State shall cease to be effective when notes and bonds subject to the pledge are no longer outstanding or when sufficient moneys have been set aside for their payment.

Enactment of the 1978 State Covenant was considered by the Financial Institutions to be an essential condition to their participation in the Debt Issuance Plan. In the opinion of Bond Counsel, given to the Financial Institutions and City Pension Funds pursuant to the Financing Agreement, while the matter is not free from doubt, the 1978 State Covenant is enforceable, provided a court would hold that the pledge is an "important security provision" of the Bonds, "subject at all times to the proper exercise of the State's reserved police power." The enforceability of the 1978 State Covenant is subject to various factual requirements and legal uncertainties and there can be no assurance that any purchaser seeking to enforce the 1978 State Covenant will be able to meet such factual requirements or that such legal uncertainties will be resolved in favor of such enforcement.

PART 13—MANAGEMENT

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

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

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

<table>
<thead>
<tr>
<th>Directors*</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix G. Rohatyn, Chairman(1)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Francis J. Barry(2)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>George M. Brooker(2) (3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>Thomas D. Flynn(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>George D. Gould(2)</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Andrew P. Steffan (2) (5)</td>
<td>December 31, 1980</td>
</tr>
<tr>
<td>Robert C. Weaver</td>
<td>December 31, 1980</td>
</tr>
<tr>
<td>Name</td>
<td>Position</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------------------------</td>
</tr>
<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>Jules V. Lane</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>Robert W. Seavey</td>
<td>Appointed by the Vice-Chairman of the City Council</td>
</tr>
<tr>
<td>Sanford I. Weill</td>
<td>Designated representative of the State Comptroller</td>
</tr>
</tbody>
</table>

Eugene Kellin is the Executive Director of the Corporation. (6)

* There is presently one vacant seat on the Board.

1. Mr. Rohatyn has announced his intention to resign as Chairman and it is expected that he will be leaving the Corporation in the near future.
2. Appointed upon the written recommendation of the Mayor.
3. Mr. Brooker and Mr. Flynn are continuing to serve as directors until reappointed or until their respective successors have been appointed and qualified.
4. 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.
5. Smith Barney, Harris Upham & Co., Inc., with which Mr. Steffan is affiliated, is a managing underwriter in connection with the sale of the 1978 Series 10 Bonds; Wertheim & Co., Inc., and Shearson Hayden Stone, Inc., with which Messrs. Kresky and Weill, respectively, are affiliated, may act as underwriters in connection with the sale of the 1978 Series 10 Bonds.
6. Mr. Kellin has stated his intention to resign as Executive Director in the near future.

**FELIX G. ROHATYN, Chairman.** Mr. Rohatyn is a General Partner of Lazard Frères & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Eastern Air Lines, Inc., Engelhard Minerals & Chemicals Corporation, Howmet Turbine Components Corporation, International Telephone and 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, 50, is a resident of New York City.

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

**GEORGE M. BROOKER.** Mr. Brooker has been a principal stockholder and Secretary-Treasurer of Webb & Brooker, Inc., a real estate management and brokerage firm, since 1969. He is Vice-President of the Greater New York Institute of Real Estate Management. He is Chairman of the Board of Directors of the New York Urban League. He is a director of the DuBois Memorial Foundation, a member of the Board of Governors of the Real Estate Board of New York and the Realty Advisory Board of New York. He is also a member of the Board of Governors of the Carver Democratic Club of New York City. He is a member of the Management Council, National Center Housing Management of Washington, D.C. and a director of the Realty Foundation of New York. Mr. Brooker, 52, is a resident of Pelham Manor, New York.

**THOMAS D. FLYNN.** Mr. Flynn was, until October 1975, a partner in Arthur Young & Company, an international accounting firm, and Vice-Chairman of its Management Committee. He served as President of the American Institute of Certified Public Accountants ("AICPA") for the year 1964-1965. In 1970, he was the recipient of an AICPA Gold Medal Award for Distinguished Service to the Accounting Profession, the highest honor awarded by the AICPA. He is a Trustee of Columbia University. He is Director Emeritus of the National Bureau of Economic Research, Inc. He is also
a Trustee of American Savings Bank. He is a member of the Board of Directors of Household Finance Corporation, and Chairman of the Audit Committee. Mr. Flynn, 65, 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 Bank Agency and is a director of the State Mortgage Agency. Mr. Gould, 51, 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. He is a member of the Municipal Securities Rulemaking Board, the Governor's Consultants Advisory Panel on School Finance and the Governor's Panel on the Future of Government in New York. Mr. Netzer, 50, is a resident of New York City.

**Andrew P. Steffan.** Mr. Steffan is a Vice President in the Corporate Finance Department of Smith Barney, Harris Upham & Co. From 1972 until 1976 he was on the staff of the Securities and Exchange Commission and became the Agency's Director of Economic Policy Research. He is a member of the Executive Committee of the New York District of the Securities Industry Association. Mr. Steffan, 40, is a resident of New York City.

**Robert C. Weaver.** Dr. Weaver is Distinguished Professor Emeritus of Urban Affairs at Hunter College since 1970. From 1966 through 1968, he was Secretary of the United States Department of Housing and Urban Development and from 1968 through 1970 was President of Bernard M. Baruch College. He is a Trustee of the Metropolitan Life Insurance Co. and the Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver, 70, is a resident of New York City.

**Zane Klein, Representative.** Mr. Klein has been a member of the law firm of Berlack, Israels & Liberman, New York, New York, since 1968. He is a member of the City Comptroller's Technical Debt Management Committee and a member of the Advisory Committee to the City Office of Telecommunications. He has also served on advisory panels with respect to equity and real estate investments of the employee pension systems of the City and is active in civic and community affairs. Mr. Klein, 41, is a resident of New York City.

**Edward M. Kresky, Representative.** Mr. Kresky is a General Partner of Wertheim & Co., investment bankers. He has been with Wertheim since 1971. From 1965 through 1971, he served as Secretary to the Metropolitan Transportation Authority of New York State. He is a member of the Boards of Security Mutual Life Insurance Company of New York and the New York State Council on the Arts and of the Council of the National Municipal League. From 1972 to 1973 he was a member of the Governor's Task Force on Financing Higher Education in New York State. Mr. Kresky serves as an observer to the Control Board. Mr. Kresky, 54, is a resident of New York City.

**Jules V. Lane, D.D.S., Representative.** Dr. Lane is president and Chairman of the Board of the American Medical Insurance Company in Hicksville, New York which was formed in 1964. He is President of Lisadent, Inc., President of Lane Brokerage and Jules and Linda Lane Realty Company. Dr. Lane is a Board member of the Century National Bank and Trust Company, member of the Board of Governors of the New York Cardiac Center and Membership Chairman of the Young Presidents Organization. Dr. Lane, 48, lives in Sands Point, New York.
Leonard Nadel, Representative. Mr. Nadel, who was Senior Vice President of Abraham & Straus, a division of Federated Department Stores, Inc., until March 1978, had established his own management consulting firm, Leonard Nadel Associates Inc., in New York City in April 1978. He is Chairman of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish-Hillside Medical Center, Vice-Chairman of the Downtown Brooklyn Development Association and he was President of the Brooklyn Chamber of Commerce. Mr. Nadel, 57, is a resident of Roslyn, New York.

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

Sanford I. Weill, Representative. Mr. Weill is Chairman and Chief Executive Officer of Shearson Hayden Stone, Inc., an international investment banking firm, of which he was a founder in 1960. He has served as a director of numerous corporations and currently is on the Board of the Arlen Realty & Development Corp. He is a member of the New York Society of Security Analysts, Midwest Stock Exchange, Chicago Board of Trade and Young Presidents Organization, Inc. In January 1976, he was appointed by the Governor of New York to the Securities Industry Task Force. He is a member of the President's Council of Brandeis University. Mr. Weill, 45, is a resident of New York City.

Eugene Keilin, Executive Director. Mr. Keilin, Executive Director of the Corporation, was employed by the City from 1971 until he joined the Corporation on October 1, 1976. From 1973 to 1975 he served as General Counsel of the City's Office of Management and Budget and from 1975 to October 1976 he was counsel to the City's first Deputy Mayor for Finance. Prior to his employment by the City, Mr. Keilin was associated with the New York law firm of Sage, Gray, Todd & Sims. Mr. Keilin, 36, 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.

Part 14—Litigation

The Corporation is not party to any litigation. Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions. Recent court actions have upheld the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations.

Although the Corporation is not a party to the following actions, such actions relate to the 1978 Amendments.
On June 5, 1978, the president of the Patrolmen’s Benevolent Association of the City of New York (the “PBA”), on behalf of the membership of the PBA, commenced an action in State Supreme Court against the State, the City, and the City’s Office of Collective Bargaining, seeking an injunction against the enforcement of an act of June 2, 1978 (Chapter 201 of the Laws of 1978) (“Chapter 201”), including most of the 1978 Amendments, on the grounds, among others, that it violates both the due process and equal protection clauses of the State and Federal Constitutions and that it was enacted in a procedurally defective manner. Chapter 201 also includes amendments to the Emergency Act and to a number of other laws relating to the City’s finances. See “PART 1—INTRODUCTION—Recent Legislation Related to the Corporation” and “PART 10—Legislation and Agreements Relating to the Debt Issuance Plan.”

The plaintiffs’ attack on Chapter 201 is directed primarily at the section of Chapter 201 which amends the statutory procedures in the Emergency Act for the settlement of deadlocked contract negotiations between the City and its employees and requires that the City’s ability to pay any settlement within the tax structure then in effect be considered by the arbitrator. Plaintiffs have argued, in part, that the whole of Chapter 201 is invalid because it is a “special” law “in relation to the property, affairs or government” of New York City that was not enacted in accordance with the so-called “home rule” procedural requirements of the State Constitution.

Although the Corporation is not a party to this action, an adverse decision with respect to the validity of Chapter 201 as a whole or in part in any material respect would result in an event of default under the Guarantee Agreement thereby authorizing the United States to exercise its rights pursuant to the terms of that agreement. In addition such a decision would be likely to seriously impair the ability of the Corporation and of the City to implement the Debt Issuance Plan. A decision invalidating only the specifically challenged section of Chapter 201 might jeopardize the City’s ability to adhere to balanced budgets and thus threaten the successful implementation of the Debt Issuance Plan.

On June 5, 1978, plaintiffs’ application for a temporary restraining order was denied, plaintiffs’ motion for a preliminary injunction, on which the Corporation filed a brief in opposition as amicus curiae, was submitted in September 1978. A decision on such motion and on the defendants’ cross motions to dismiss and for summary judgment is pending.

In addition, on August 17, 1978, David Basile, on behalf of himself and all other police officers of the City similarly situated, commenced an action in State Supreme Court against the PBA and the City seeking injunctive and declaratory relief with respect to the enforcement of a two year labor contract executed by and between the City and the PBA on the ground, among others, that the enactment of the collective bargaining provisions of Chapter 201 “served to unconstitutionally chill the right of defendant PBA to invoke the provisions of Section 209 of the Civil Service Law” (dealing with the resolution of disputes in the course of collective bargaining).

PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

Following is a summary of certain provisions of the Second General Bond Resolution (herein referred to as the “Resolution”). The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Resolution, to which reference is hereby made and copies of which are available from the Corporation. The Capital Reserve Aid Fund is referred to hereinafter as the “Capital Reserve Fund.”

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.

59
“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 Resolution for such purposes, any unpaid and matured amounts of principal and interest on the Bonds or such larger amounts as may hereafter be authorized pursuant to the Act as amended from time to time.

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

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

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

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

“Outstanding”, when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Resolution, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106 of the Resolution, and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401 of the Resolution.

“Outstanding Note Resolutions” shall mean those 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, as the same may be amended from time to time.

“Redemption Price” shall mean, with respect to any Bonds, 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 such Bonds were 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.

* No such Outstanding Notes are presently outstanding.
"Serial Bonds" shall mean the Bonds so designated in a Series Resolution.

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

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

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

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

"State" shall mean the State of New York.

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

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

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

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

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

Authorization of Bonds

The Resolution creates an issue of Bonds which are general obligations of the Corporation and are secured by the pledge of the revenues of the Corporation and the moneys and securities in the Bond Service Fund and Capital Reserve Fund as described in "PART 5—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 additional Series of Bonds 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 such other taxes shall
be taken into account in such certification by increasing or decreasing the estimated amount of
Sales Tax, Stock Transfer Tax or such other taxes to be levied and collected. In the event the
Sales Tax or such other taxes have not been in effect for 12 calendar months said Commissioner
shall use, respectively, collections of the sales and compensating use taxes previously imposed by
the City or collections of the tax similarly based to the other taxes referred to above if such tax was
previously imposed by the City as the amount to be certified in lieu of actual collections of the
Sales Tax or other taxes, for those months the Sales Tax or other taxes were not in effect;

(2) A certificate by 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 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 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 Effect 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 I 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 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), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor, with a copy of such Certificate 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, 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 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 the Corporation 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, 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 such 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 “Part 5—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. Except to the extent otherwise provided in Section 601, 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 “Part 12—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, 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 Section 304 and Sections 306 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 therein 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 202 after making the deductions provided in subparagraphs 3(a) and 3(c) to be less than 1.2 times such aggregate amount set forth in paragraph 3(b) of subsection 3 of Section 202 for each Fiscal Year set forth pursuant to said paragraph 3(b) if such certifications required to be made pursuant to such subsection 3 had been made at the time of the issuance of such Bonds, Notes or other Obligations.

The Corporation 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. Except as provided in Section 909, 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 Fund; 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 (c) or (d) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds; or

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

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

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

(Resolution, Section 1202)

Remedies

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

(Resolution, Section 1201)

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202 of the Resolution, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c), (d), (e), (f), (g) or (h) of said Section, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its
rights and the rights of the Bondholders by such one or more of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

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

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

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

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

(Resolution, Section 1203)

Priority of Payments After Default

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

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

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

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

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over 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 Bonds may be issued, paid or redeemed; to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution of the Revenues, or of any other moneys, securities or funds; to modify any of the provisions of the Resolution or any previously adopted Series Resolution in any other respects, provided that such modification shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution 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 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 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 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)

Decease

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

PART 16—TRUSTEE

United States Trust Company of New York (the "Trust Company") is 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 First and Second General Bond 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 "PART 15—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.

71
As of the date hereof, the Trust Company, which is a Commercial Bank and a party to the Financing Agreement, owns $ of First Resolution Bonds and $ of Second Resolution Bonds for its own account, including 1978 Private Series Bonds purchased in November 1978 pursuant to the Financing Agreement. 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.

PART 17—LEGAL INVESTMENT

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

PART 18—TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 Bonds is exempt from Federal income taxes, and shall at all times be free from State and City income taxes.

PART 19—LEGAL OPINIONS

All legal matters incident to the authorization, issuance, sale and delivery of the 1978 Series 10 Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. The approving opinion of Bond Counsel 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.

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

PART 20—UNDERWRITING

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1978 Series 10 Bonds from the Corporation at a discount equal to % from the initial public offering price. The underwriters may offer to sell such 1978 Series 10 Bonds to certain dealers and others at prices lower than the initial public offering price and the public offering price may be changed from time to time by the underwriters. The Corporation has agreed to indemnify the underwriters against certain liabilities.

Commercial Banks, some of which are also underwriters, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others. However, such banks and the Pension Funds have agreed not to sell, offer to sell, or otherwise dispose of any of the Private Series Bonds to be received by them pursuant to the Financing Agreement for a period of days after delivery of the 1978 Private Series Bonds, without the consent of the Corporation and the underwriters.
PART 21—FINANCIAL STATEMENTS

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 of the Corporation for the quarter ended September 30, 1978 are annexed hereto. The accompanying statements for the quarter ended September 30, 1978 do not give effect to the receipt of $68.9 million and $51.0 million of sales tax allocations certified to and paid to the Corporation by the State from the Municipal Assistance Tax Fund on October 12, 1978 for the purposes provided in the First and Second General Bond Resolutions, respectively.

* * *

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 Federal Guarantee Act, the Pension Legislation, the Emergency Act, the 1978 Amendments, the Tax Law, the Finance Law, the Agreements, the First and Second General Bond Resolutions, and Series Resolutions promulgated thereunder, are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such Acts, Laws, Agreements and Resolutions for full and complete statements of such provisions. Copies of such Acts, Laws, Agreements and Resolutions are available at the office of the Corporation.

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By

Chairman
REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying Statement of Financial Position and the related Debt Service Fund, Capital Reserve Fund and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1978 and the Debt Service Fund, Capital Reserve Fund and Operating Fund transactions for the year then ended, in conformity with generally accepted accounting principles consistently applied. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

153 East 53rd Street
New York, N. Y. 10022
July 24, 1978

Price Waterhouse & Co.
# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt Service Fund</td>
<td>Operating Fund</td>
<td>Debt Service Fund</td>
<td>Operating Fund</td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First General Resolution Bonds</td>
<td>$3,132,388,000</td>
<td></td>
<td>$3,132,388,000</td>
<td></td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>1,973,970,000</td>
<td></td>
<td>1,973,970,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BONDS PAYABLE</strong></td>
<td>5,106,358,000</td>
<td></td>
<td>5,106,358,000</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>108,345,682</td>
<td></td>
<td>82,651,811</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td></td>
<td>$200,910</td>
<td></td>
<td>$405,855</td>
</tr>
<tr>
<td>Advances under First Instance Appropriation</td>
<td>713,426</td>
<td></td>
<td>735,538</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
<td>1,134,841</td>
<td></td>
<td>1,470,443</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>5,214,703,682</td>
<td>2,049,177</td>
<td>5,189,009,811</td>
<td>2,611,836</td>
</tr>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>16,240</td>
<td>17,304</td>
<td>12,402</td>
<td>14,017</td>
</tr>
<tr>
<td>Investments in marketable securities, at cost which approximates market value</td>
<td>195,657,472</td>
<td></td>
<td>80,400,139</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on marketable securities</td>
<td>2,090,711</td>
<td></td>
<td>959,126</td>
<td></td>
</tr>
<tr>
<td>Capital Reserve Fund assets</td>
<td>387,200,557</td>
<td></td>
<td>394,225,268</td>
<td></td>
</tr>
<tr>
<td>Unexpended portion of allocated funds held by New York State</td>
<td>2,980,616</td>
<td></td>
<td>6,780,026</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>584,964,980</td>
<td>2,997,920</td>
<td>475,596,935</td>
<td>6,794,043</td>
</tr>
<tr>
<td>Net funding require- ments</td>
<td>$4,629,738,702</td>
<td>($948,743)</td>
<td>$4,713,412,876</td>
<td>($4,182,207)</td>
</tr>
</tbody>
</table>

F-2
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

DEBT SERVICE AND CAPITAL RESERVE FUND

STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>Capital Reserve Fund</td>
</tr>
<tr>
<td></td>
<td>Debt Service Fund</td>
</tr>
<tr>
<td></td>
<td>Capital Reserve Fund</td>
</tr>
</tbody>
</table>

Receipts:
- Principal amount of bonds and promissory notes issued $3,154,458,000
  - Less:
    - The City of New York notes received in exchange for Second General Resolution Bonds $819,230,000
    - First General Resolution Bonds refunded $1,549,583,600
    - Deposit for defeasance $243,381,175
    - Discount on bonds issued $10,673,825
- Net proceeds from issuance of bonds and notes $331,590,000
- Transfer to Capital Reserve Fund $(196,100,000) $196,100,000
- Sales tax allocations received from the State of New York $328,800,000
- Per capita aid received from the State of New York $337,000,000
- Interest adjustment pursuant to Restructuring Agreement $1,966,228
- Accrued interest received on issuance of bonds $1,034,132
- Income from investments $9,663,394 $23,256,454 $2,073,965 $7,024,711
- Interest received on obligations of The City of New York $76,181,656 11,220,000
- Total receipts $1,090,135,410 219,356,454 13,293,965 7,024,711

Expenditures:
- Disbursements to The City of New York $380,641,989

Debt Service:
- Principal repayment on First General Resolution Bonds $55,465,000
- Interest on First General Resolution Bonds $248,395,896 $64,023,116
- Principal repayment on Second General Resolution Bonds $33,745,000
- Interest on Second General Resolution Bonds $149,838,162 $39,969,734
- Principal repayment on promissory notes $335,490,000
- Interest on promissory notes $1,147,100
- Total debt service $824,081,158 $103,992,850
- Total expenditures $1,204,723,147 $103,992,850

Excess (deficiency) of receipts over expenditures:
- For the period $114,587,737 $219,356,454 $(90,698,885) $7,024,711
- Transfer from Operating Fund $1,500,000
- At beginning of period $202,506,478 $167,844,103 $89,418,741 387,200,557
- At end of period $89,418,741 $387,200,557 $(1,280,144) 394,225,268
- Principal amount of bonds payable $5,106,358,000
- Balance $5,016,939,259 $387,200,557 $(5,107,638,144) 394,225,268
- Net funding requirement $4,629,738,702 $4,713,412,876

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

OPERATING FUND

STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(Unaudited)</td>
</tr>
<tr>
<td>Receipts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>$ 4,232,386</td>
<td>$ 4,406,500</td>
</tr>
<tr>
<td>Expenditures:</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>774,127</td>
<td>4,046</td>
</tr>
<tr>
<td>Legal services</td>
<td>934,211</td>
<td>248,431</td>
</tr>
<tr>
<td>Trustee and related services</td>
<td>640,744</td>
<td>92,020</td>
</tr>
<tr>
<td>Total</td>
<td>2,349,082</td>
<td>344,497</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Special Deputy Comptroller</td>
<td>(1,094,615)</td>
<td>342,635</td>
</tr>
<tr>
<td>Financial Control Board</td>
<td>532,815</td>
<td>233,311</td>
</tr>
<tr>
<td>Total</td>
<td>(561,800)</td>
<td>575,946</td>
</tr>
<tr>
<td>General and administration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel services—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>275,858</td>
<td>82,114</td>
</tr>
<tr>
<td>Other personnel services</td>
<td>140,603</td>
<td>54,847</td>
</tr>
<tr>
<td>Accountancy services</td>
<td>58,217</td>
<td>25,000</td>
</tr>
<tr>
<td>Office rental</td>
<td>54,338</td>
<td>19,295</td>
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<tr>
<td>General office expenses</td>
<td>32,493</td>
<td>8,558</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>6,727</td>
<td>2,607</td>
</tr>
<tr>
<td>Communications</td>
<td>14,270</td>
<td>2,983</td>
</tr>
<tr>
<td>Data processing services</td>
<td>52,653</td>
<td>27,633</td>
</tr>
<tr>
<td>Printing and distribution</td>
<td>46,840</td>
<td>29,556</td>
</tr>
<tr>
<td>Total</td>
<td>681,999</td>
<td>252,593</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>2,469,281</td>
<td>1,173,036</td>
</tr>
<tr>
<td>Excess of receipts over expenditures for the period</td>
<td>1,763,105</td>
<td>3,233,464</td>
</tr>
<tr>
<td>Transfer to Debt Service Fund</td>
<td>(1,500,000)</td>
<td></td>
</tr>
<tr>
<td>Excess of receipts over expenditures at beginning of period</td>
<td>685,638</td>
<td>948,743</td>
</tr>
<tr>
<td>Excess of receipts over expenditures at end of period</td>
<td>$ 948,743</td>
<td>$ 4,182,207</td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS

(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 1—Organization and Functions of the Corporation:

Municipal Assistance Corporation For The City of New York (the “Corporation”) is a corporate 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 for purposes of assisting The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. Pursuant to said act, as amended (the “Act”) to carry out such purposes, the Corporation, among other things, issues and sells bonds and notes and pays or loans funds received from such sales to the City and exchanges the Corporation’s obligations for those of the City, each under conditions specified in the Act. Also pursuant to the Act, the Corporation provides for certain oversight of the City’s financial activities.

Note 2—Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting. Receipts from tax allocations are recorded as received and disbursements to the City are recorded as made. Interest income on investments and interest expense on the Corporation’s debt are recorded on the accrual basis. The Corporation’s debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund and become part of net funding requirements. Amounts required for the payment of debt service due on July 1 and January 1 are accounted for as if paid on the immediately preceding June 30 and December 31, respectively, by which dates such amounts are segregated for that purpose by the Trustee under the bond resolutions. The net funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

The Operating Fund accounts have been prepared on the accrual basis of accounting. Receipts are recorded in the Operating Fund as allocations are approved by the State. Expenses of debt issuance and service are charged to the Operating Fund as incurred.

The Statement of Financial Position gives no recognition to obligations of the City held by the Corporation as described in Note 6. Interest on such obligations is credited if and when received.

Note 3—Bonds of the Corporation: Funding, Payment and Authorization:

Funding methods:

The Corporation funds its debt service requirements and operating expenses by receipt of allocations from the State’s collection of sales tax (imposed by the State within the City at the rates formerly imposed by the City), the stock transfer tax and certain per capita aid, subject in each case to appropriation by the State Legislature. Net collections of taxes and per capita aid not required by the Corporation are available to the City.

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

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the special account in the State’s Municipal Assistance Tax Fund, which is funded from revenues collected, less the State’s charges for collection and administration, from the sales tax and, if necessary, the stock transfer tax. The net revenues from sales and stock transfer taxes which were collected by the State during the twelve months ended June 30, 1978 and September 30, 1978 amounted to $1,275 million and $1,329 million, respectively. Payments made to the Corporation from the Municipal Assistance Tax Fund are to be made quarterly and at such other times as the Corporation requests.

F-5
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 3—Bonds of the Corporation: Funding, Payment and Authorization (Continued):

Debt service for obligations issued under the Second General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the special account in the Municipal Assistance State Aid Fund, which is funded from per capita state aid otherwise payable by the State to the City, and, after satisfying the debt service requirements for obligations issued under the First General Bond Resolution as described above, funds paid quarterly from the Municipal Assistance Tax Fund. Per capita aid is subject to prior claims asserted by certain other State or City entities; however, no such claims have been asserted since the inception of the Corporation. Total per capita aid paid into the Municipal Assistance State Aid Fund on June 25, 1978 amounted to $434 million.

The Corporation certified to and was paid on October 12, 1978, $68.9 million and $51.0 million of sales tax revenues from the Municipal Assistance Tax Fund for First and Second General Bond Resolution purposes, respectively.

Payment dates:

Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semiannually on February 1 and August 1 for bonds outstanding under the First General Bond Resolution. Principal payments at maturity or mandatory sinking fund calls are made July 1 and interest is paid semiannually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution.

Debt authorization:

The Corporation is authorized by the Act to issue obligations in an aggregate principal amount of $8,800 million, exclusive of obligations issued to refund outstanding obligations of the Corporation and notes issued to enable the City to fulfill its seasonal borrowing requirements. Pursuant to the Act new obligations of the Corporation may mature up to 30 years from the date of original issue but in no event later than July 1, 2008 and no new obligation may be issued after June 30, 1982, except to renew or refund outstanding obligations. Pursuant to various resolutions of the Corporation no obligations may be issued if their issuance would cause certain debt service limitations and debt service coverage ratios to be exceeded.

The Corporation is participating in discussions to implement a debt issuance plan required in connection with the Four-Year Financial Plan developed for The City of New York. It is currently contemplated that in furtherance of the debt issuance plan the Corporation will issue in excess of $2 billion of its bonds and notes during the next four years commencing during the quarter ending December 31, 1978, all in accordance with the above stated limitations.

Note 4—Capital Reserve Fund:

The Act provides for the establishment of a Capital Reserve Fund to provide security for payment of interest on and principal of the Corporation’s bonds. The amount required to be on deposit in the Capital Reserve Fund for any calendar year is a fixed percentage of principal (including sinking fund installments) and interest maturing or otherwise due or becoming due on outstanding bonds during a specified calendar year. For 1978, 1979 and 1980 the percentages are 50%, 75% and 100% of such year's requirements, respectively. Following 1980, the percentage is 100% of the succeeding year's requirements.

Investments in the Capital Reserve Fund are recorded at amortized cost, which exceeded market value by approximately $29 million at June 30, 1978 and September 30, 1978. The Capital Reserve Fund balance at June 30, 1978 of $387,200,557 comprised $175,040,917 relating to First General Resolution Bonds and $212,159,640 relating to Second General Resolution Bonds. The Capital Reserve
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 4—Capital Reserve Fund (Continued):

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 18,585</td>
<td>$ 696</td>
</tr>
<tr>
<td>U.S. Treasury Bonds and Notes maturing through May 1990</td>
<td>196,874,798</td>
<td>196,730,180</td>
</tr>
<tr>
<td>Other permitted investments maturing through November 1993</td>
<td>182,839,046</td>
<td>187,798,230</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>7,468,128</td>
<td>9,696,162</td>
</tr>
<tr>
<td></td>
<td>$387,200,557</td>
<td>$394,225,268</td>
</tr>
</tbody>
</table>

Note 5—Investments in Marketable Securities:

Debt service funds paid to the Corporation in advance of disbursement to bondholders are temporarily invested for the Corporation by the Trustee under the bond resolutions, and the income therefrom is credited to the Debt Service Fund. Proceeds of debt issues may also be temporarily invested for the Corporation by the Trustee.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Bills maturing through July 1978</td>
<td>$ 2,301,358</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Notes maturing through January 1979</td>
<td>73,038,114</td>
<td>$ 28,917,111</td>
</tr>
<tr>
<td>Other permitted investments maturing through January 1979</td>
<td></td>
<td>42,729,028</td>
</tr>
<tr>
<td>Repurchase Agreements maturing through:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1978</td>
<td>120,318,000</td>
<td></td>
</tr>
<tr>
<td>October 1978</td>
<td></td>
<td>8,754,000</td>
</tr>
<tr>
<td>Total Debt Service Fund investments</td>
<td>$195,657,472</td>
<td>$ 80,400,139</td>
</tr>
</tbody>
</table>

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

As a result of certain exchanges and payments to the City, at June 30, and September 30, 1978, the Corporation held $4,236 million of notes of the City. It is the Corporation's present intention that City notes held will not be presented for payment of principal or interest, except that bond anticipation notes held by the Corporation will be presented for payment of interest and that certain bond anticipation notes may be exchanged for newly issued bond anticipation notes or bonds of The City of New York. During the quarters ended June 30, and September 30, 1978 the Corporation received approximately $76.2 million and $11.2 million, respectively, from the City as payment of interest due on bond anticipation notes held by the Corporation. Any amounts received as payment on City notes have the effect of reducing the amounts to be funded from the Corporation's other sources. The Corporation, in making its certification for funds, is required to exclude from consideration any amounts its expects to receive as payment on City notes until such amounts are received. Accordingly, the City notes held have not been included in the accompanying Statement of Financial Position.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 7—Operating Fund:

The Operating Fund provides for the expenses of carrying out the Corporation's duties and functions, as authorized by the Act. The Operating Fund is funded from the special account in the Municipal Assistance Tax Fund. The amount certified to for Operating Fund purposes for the 1978 fiscal year of the Corporation was $7 million.

For the fiscal year ended June 30, and the quarter ended September 30, 1978, $4,232,386 and $4,406,500, respectively, of funds from the State had been allocated to the Corporation for Operating Fund purposes. At September 30, 1978, $4,271,539 of funds allocated in fiscal year 1979 and $2,191,092 allocated in previous fiscal years had not been expended and were held for the Corporation's account by the State.

In addition, the Corporation may request and utilize repayable First Instance Appropriations from the State. The amount of these appropriations remaining to be repaid to the State from operating expense apportionments was $713,246 at June 30, 1978 and $735,538 at September 30, 1978.

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

Pursuant to an agreement among the Corporation, the City, the New York State Office of the Special Deputy Comptroller for The City of New York (the "OSDC") and the State Comptroller, the Corporation has no liability for expenses related to the OSDC services for the period June 10, 1975 to December 31, 1977. Accordingly, a reduction in the applicable expense and estimated liability accounts of $2,429,613 has been recognized during the 1978 fiscal year representing expenses accrued for the OSDC services which will not be payable.

On January 31, 1978, the Corporation made a permanent transfer of $1,500,000 from the Operating Fund to the Debt Service Fund.

Note 8—Litigation:

Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions.

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 OSDC and the Emergency Financial Control Board. To avoid duplication of efforts, the Corporation has contracted for the OSDC to provide certain services for the oversight of the City's financial affairs. The accompanying financial statements include a provision for the Corporation's estimate of the amount payable to the OSDC for services pursuant to the contract as amended.

In addition, the Corporation has contracted for other oversight services to be performed by the staff of the Emergency Financial Control Board, renamed in recently enacted legislation the Financial Control Board ("FCB"), at an annual cost not to exceed $550,000. Recently enacted legislation provides that the Corporation fund the operations of the FCB; it is expected that a new agreement will be entered into between the Corporation and the FCB to implement this provision.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 10—Refunding and Defeasance of 1975 Series B Bonds:

On January 10, 1978, the Corporation issued its 1978 Series JJ Bonds in the aggregate principal amount of $250,155,000. Substantially all of the net proceeds of the issue were invested in direct obligations of the United States of America which are held in trust with the United States Trust Company of New York. The proceeds held in trust and the income from investment thereof are sufficient to pay principal and interest when due on the 1975 Series B Bonds. As a result, the 1975 Series B Bonds are deemed to have been paid within the meaning of the First General Bond Resolution and are therefore no longer presented as a liability of the Corporation.

Note 11—Promissory Notes, 1978 Series:

On June 9, 1978 the Corporation issued $335,490,000 principal amount of Promissory Notes due June 30, 1978 to certain New York City Pension Funds. The proceeds of such sale were paid immediately to the City. The Corporation prepaid principal of and interest on such notes on June 29, 1978 in full satisfaction of its obligations.
## MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

### BONDS OUTSTANDING

(In thousands)

September 30, 1978

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption date</th>
<th>Interest rate</th>
<th>June 30, 1978</th>
<th>September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Unaudited)</td>
<td></td>
</tr>
<tr>
<td><strong>First General Resolution Bonds:</strong></td>
<td>February 1:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>1979-1990</td>
<td>7.5%–9.25%</td>
<td>$470,260</td>
<td>$470,260</td>
</tr>
<tr>
<td>G</td>
<td>1979-1985</td>
<td>9.5%–11%</td>
<td>42,210</td>
<td>42,210</td>
</tr>
<tr>
<td>J</td>
<td>1984-1985</td>
<td>11%</td>
<td>1,090</td>
<td>1,090</td>
</tr>
<tr>
<td>M</td>
<td>1980-1995</td>
<td>10%–11%</td>
<td>81,050</td>
<td>81,050</td>
</tr>
<tr>
<td>O</td>
<td>1990-1994</td>
<td>11%</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>U</td>
<td>1986-1990</td>
<td>11%</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>X</td>
<td>1991-1994</td>
<td>11%</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Y</td>
<td>1981</td>
<td>10%</td>
<td>20,850</td>
<td>20,850</td>
</tr>
<tr>
<td>BB</td>
<td>1979-1986</td>
<td>6%</td>
<td>110,940</td>
<td>110,940</td>
</tr>
<tr>
<td>CC</td>
<td>1984-1993</td>
<td>10.25%</td>
<td>256,250</td>
<td>256,250</td>
</tr>
<tr>
<td>EE</td>
<td>1991-1995</td>
<td>7.5%</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>FF</td>
<td>1986</td>
<td>7.5%</td>
<td>53,475</td>
<td>53,475</td>
</tr>
<tr>
<td>GG</td>
<td>1987</td>
<td>8%</td>
<td>70,200</td>
<td>70,200</td>
</tr>
<tr>
<td>HH</td>
<td>1988-1995</td>
<td>7.5%</td>
<td>1,414,738</td>
<td>1,414,738</td>
</tr>
<tr>
<td>II</td>
<td>1987</td>
<td>7.5%</td>
<td>11,170</td>
<td>11,170</td>
</tr>
<tr>
<td>JJ</td>
<td>1982-1995</td>
<td>7.25%–8.25%</td>
<td>250,155</td>
<td>250,155</td>
</tr>
</tbody>
</table>

**Total First Resolution**

3,132,388

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption date</th>
<th>Interest rate</th>
<th>June 30, 1978</th>
<th>September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Unaudited)</td>
<td></td>
</tr>
<tr>
<td><strong>Second General Resolution Bonds:</strong></td>
<td>July 1:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1979-1986</td>
<td>8%</td>
<td>77,205</td>
<td>77,205</td>
</tr>
<tr>
<td>2</td>
<td>1979-1986</td>
<td>8%</td>
<td>164,535</td>
<td>164,535</td>
</tr>
<tr>
<td>3</td>
<td>1979-1986</td>
<td>8%</td>
<td>67,555</td>
<td>67,555</td>
</tr>
<tr>
<td>4</td>
<td>1979-1986</td>
<td>8%</td>
<td>84,085</td>
<td>84,085</td>
</tr>
<tr>
<td>5</td>
<td>1982-1991</td>
<td>8%</td>
<td>139,860</td>
<td>139,860</td>
</tr>
<tr>
<td>6</td>
<td>1982-1991</td>
<td>8%</td>
<td>18,215</td>
<td>18,215</td>
</tr>
<tr>
<td>8</td>
<td>1980-1992</td>
<td>7.5%</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>9</td>
<td>1980-1992</td>
<td>7.5%</td>
<td>819,230</td>
<td>819,230</td>
</tr>
</tbody>
</table>

**Total Second Resolution**

1,973,970

**Total bonds outstanding**

$5,106,358

$5,106,358
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS

September 30, 1978
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30</th>
<th>Principal and interest requirements</th>
<th>Capital Reserve Fund Contributions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First General Bond Resolution</td>
<td>Second General Bond Resolution</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$311,836†</td>
<td>$195,703†</td>
<td>$507,539†</td>
</tr>
<tr>
<td>1979</td>
<td>314,747</td>
<td>221,319</td>
<td>536,066</td>
</tr>
<tr>
<td>1980</td>
<td>303,083</td>
<td>220,614</td>
<td>523,697</td>
</tr>
<tr>
<td>1981</td>
<td>337,565</td>
<td>230,492</td>
<td>568,057</td>
</tr>
<tr>
<td>1982</td>
<td>376,356</td>
<td>253,715</td>
<td>630,071</td>
</tr>
<tr>
<td>1983</td>
<td>352,738</td>
<td>253,781</td>
<td>606,519</td>
</tr>
<tr>
<td>1984</td>
<td>353,662</td>
<td>252,761</td>
<td>606,423</td>
</tr>
<tr>
<td>1985</td>
<td>374,587</td>
<td>258,646</td>
<td>628,903</td>
</tr>
<tr>
<td>1986</td>
<td>372,257</td>
<td>253,374</td>
<td>628,326</td>
</tr>
<tr>
<td>1987</td>
<td>375,283</td>
<td>254,221</td>
<td>629,504</td>
</tr>
<tr>
<td>1988</td>
<td>376,167</td>
<td>251,719</td>
<td>627,886</td>
</tr>
<tr>
<td>1989</td>
<td>374,124</td>
<td>248,359</td>
<td>622,483</td>
</tr>
<tr>
<td>1990</td>
<td>373,160</td>
<td>250,428</td>
<td>623,588</td>
</tr>
<tr>
<td>1991</td>
<td>369,343</td>
<td>261,358</td>
<td>630,701</td>
</tr>
<tr>
<td>1993</td>
<td>361,117</td>
<td>361,117</td>
<td>361,117</td>
</tr>
<tr>
<td>1994</td>
<td>178,382</td>
<td>178,382</td>
<td>344,251</td>
</tr>
<tr>
<td>Total</td>
<td>$3,569,908</td>
<td>$3,404,865</td>
<td>$9,274,773</td>
</tr>
</tbody>
</table>

† The fiscal year 1979 funding requirements do not give effect to the moneys received on October 12, 1978 (Note 3).
EXHIBIT III

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SUMMARY OF TOTAL ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS

September 30, 1978
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$ 173,756</td>
<td>$ 79,940</td>
<td>$ 253,696</td>
</tr>
<tr>
<td>1980</td>
<td>321,869</td>
<td>194,972</td>
<td>516,841</td>
</tr>
<tr>
<td>1981</td>
<td>307,624</td>
<td>220,039</td>
<td>527,663</td>
</tr>
<tr>
<td>1982</td>
<td>298,542</td>
<td>219,245</td>
<td>517,787</td>
</tr>
<tr>
<td>1983</td>
<td>376,587</td>
<td>228,811</td>
<td>605,398</td>
</tr>
<tr>
<td>1984</td>
<td>376,125</td>
<td>251,309</td>
<td>627,434</td>
</tr>
<tr>
<td>1985</td>
<td>329,351</td>
<td>251,169</td>
<td>580,520</td>
</tr>
<tr>
<td>1986</td>
<td>377,974</td>
<td>249,947</td>
<td>627,921</td>
</tr>
<tr>
<td>1987</td>
<td>371,200</td>
<td>250,676</td>
<td>621,876</td>
</tr>
<tr>
<td>1988</td>
<td>373,315</td>
<td>253,343</td>
<td>626,658</td>
</tr>
<tr>
<td>1989</td>
<td>377,251</td>
<td>250,690</td>
<td>627,941</td>
</tr>
<tr>
<td>1990</td>
<td>375,083</td>
<td>247,940</td>
<td>623,023</td>
</tr>
<tr>
<td>1991</td>
<td>373,165</td>
<td>244,330</td>
<td>617,495</td>
</tr>
<tr>
<td>1992</td>
<td>373,155</td>
<td>246,021</td>
<td>619,176</td>
</tr>
<tr>
<td>1993</td>
<td>365,531</td>
<td>256,404</td>
<td>621,935</td>
</tr>
<tr>
<td>1994</td>
<td>365,471</td>
<td></td>
<td>365,471</td>
</tr>
<tr>
<td>1995</td>
<td>356,763</td>
<td></td>
<td>356,763</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,892,762</strong></td>
<td><strong>$3,444,836</strong></td>
<td><strong>$9,337,598</strong></td>
</tr>
</tbody>
</table>
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 $125,000,000 aggregate principal amount of 1978 Series 10 Bonds (the “1978 Series 10 Bonds”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”), a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the “Act”).

The 1978 Series 10 Bonds are authorized and issued under and pursuant to the Act and the Second General Bond Resolution of the Corporation, adopted November 25, 1975, as supplemented to the date hereof (the “Second General Bond Resolution”), and the 1978 Series 10 Resolution, adopted November , 1978 (the “Series Resolution”). Said resolutions are herein collectively called the “Resolutions”.

The 1978 Series 10 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 Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation to limit the issuance of additional bonds. The 1978 Series 10 Bonds are being issued for the purpose of making deposits into the Capital Reserve Fund established pursuant to the Act and the Second General Bond Resolution.

The Corporation is authorized to issue Bonds, in addition to the 1978 Series 10 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1978 Series 10 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second General Bond Resolution.

The 1978 Series 10 Bonds are dated November 15, 1978 except as otherwise provided in the Resolution with respect to fully registered 1978 Series 10 Bonds, will bear interest at the rate of per centum ( %) per annum from November 15, 1978 payable July 1, 1979 and semi-annually thereafter on January 1 and July 1 in each year and will mature on July 1, 2008.

The 1978 Series 10 Bonds are issued either in coupon form in the denomination of $5,000, registrable as to principal only, or in fully registered form without coupons in the denomination of $5,000 or an integral multiple thereof. Coupon and fully registered 1978 Series 10 Bonds are interchangeable as provided in the Resolutions. Coupon 1978 Series 10 Bonds are numbered 10- and fully registered 1978 Series 10 Bonds are lettered and numbered 10R-. Coupon 1978 Series 10 Bonds and fully registered 1978 Series 10 Bonds are numbered consecutively from one upward in order of issuance.

The 1978 Series 10 Bonds are subject to redemption, in part, as provided in the Resolutions, by operation of the Bond Service Fund through application of Sinking Fund Installments as defined
in the Second General Bond Resolution and in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each 1978 Series 10 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the 1978 Series 10 Bonds are subject to redemption at the election of the Corporation on and after July 1, 1988, as a whole on any date or in part, by lot, on any interest payment date, at the redemption prices (expressed as percentages of the principal amount), plus accrued interest, if any, to the date of redemption, as set forth in the Series Resolution.

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, the insertion 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 of New York, New York ("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 8 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 1978 Series 10 Bonds hereunder, and to perform the obligations and covenants contained in the Resolutions and the 1978 Series 10 Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the
United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the 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, except for the covenant on behalf of the State required to be set forth in each 1978 Series 10 Bond pursuant to Chapter 201 of the Laws of New York of 1978 (the “State Covenant”) as to which a separate opinion has been rendered on the date hereof, 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 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 subject to the pledge and lien created by the Resolutions.

3. The 1978 Series 10 Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The 1978 Series 10 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, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors’ rights or remedies generally, and, except as otherwise set forth with respect to the State Covenant as to which a separate opinion has been rendered on the date hereof, 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, 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 such term is defined in the Second General Bond Resolution), the Tax Assistance Fund into which is paid the Sales Tax, and to the extent required, out of the Stock
Transfer Tax Fund, the Stock Transfer Tax. The amount of per capita aid payable to The City and available for apportionment and payment from the General Fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds to the Corporation are subject to annual appropriation for such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate any such amounts so certified by the Chairman, as aforesaid.

6. The 1978 Series 10 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 1978 Series 10 Bonds be payable out of any funds other than those of the Corporation.

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

(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; and

(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 and the Special Tax Account within the Tax Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or accounts.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the per capita aid referred to hereinbefore or the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) wherein a creditor of The City or The City seeks to assert 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, neither The City nor such creditor will 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 applicable to 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 1978 Series 10 Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

11. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the 1978 Series 10 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1978 Series 10 Bonds, and the execution and delivery of the 1978 Series 10 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 1978 Series 10 Bond numbered 10-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,
SUPPLEMENTED PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 1978
SUPPLEMENT DATED NOVEMBER , 1978 TO OFFICIAL STATEMENT
DATED NOVEMBER , 1978

NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 13 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.

$201,100,000

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

%-% 1978 SERIES 13 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Due July 1, as shown below

This Supplement to the Official Statement dated November , 1978 (the "Official Statement") of the Municipal Assistance Corporation For The City of New York (the "Corporation") is provided for the purpose of setting forth information with respect to the Corporation's 1978 Series 13 Bonds, which are to be purchased from the Corporation by certain Financial Institutions pursuant to the Financing Agreement, as more fully described in the Official Statement.

Principal of and interest on the 1978 Series 13 Bonds are payable at the corporate trust of New York, New York, or at the option of the holder at

unless registered. At the option of any Financial Institution, payment of the interest on fully registered 1978 Series 13 Bonds will be made pursuant to the Financing Agreement by check or wire transfer to such Financial Institution without presentation of the 1978 Series 13 Bonds and without any notation of such payment being required. Interest on the 1978 Series 13 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 13 Bonds will be issued as coupon bonds in the denomination of $5,000 or $100,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 13 Bonds, see "PART 1—INTRODUCTION" and the references included therein.

The 1978 Series 13 Bonds due July 1, 1985 through July 1, 1988 are not subject to redemption prior to maturity. The 1978 Series 13 Bonds due July 1, 1989 through July 1, 1998 are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot beginning with the Bonds of longest maturity on any interest payment date or dates, at an initial redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date.

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<th>Amount</th>
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<td>17,650,000</td>
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<td>1998</td>
<td>2,950,000</td>
<td>%</td>
<td>@ 100%</td>
</tr>
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</table>

(Accrued interest to be added)

The average life of the 1978 Series 13 Bonds is approximately 13.1 years

This Supplement must be read in conjunction with the Official Statement to which this Supplement is attached. Such Official Statement relates to the Corporation's 1978 Series 10 Bonds. The 1978 Series 13 Bonds will be sold to certain of the Financial Institutions pursuant to the Financing Agreement.
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 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.

$125,000,000

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

1978 SERIES 10 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Principal of and interest on the 1978 Series 10 Bonds are payable at the corporate trust office of New York, New York, or at the option of the holder at, unless registered. Interest on the 1978 Series 10 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices, or any other market, for and sources of payment of the 1978 Series 10 Bonds, see "PART I—INTRODUCTION" and the references included therein.

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part on any interest payment date or dates, at an initial redemption price of 102% of the principal amount thereof, and from mandatory sinking fund installments, at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date, all as more fully described herein.

The Trustee under the Second General Bond Resolution (pursuant to which the 1978 Series 10 Bonds are to be issued) is United States Trust Company of New York.

% Term Bonds due July 1, 2008

Price  %

(Accrued interest to be added)

The 1978 Series 10 Bonds are payable from certain per capita State aid and, to the extent not required for payment of certain other obligations of the Corporation, including bonds issued under the Corporation's First General Bond Resolution, 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 such per capita State aid or to continue the imposition of such taxes or to make the necessary payments of such per capita State aid or the necessary appropriations of the revenues derived from such taxes. The Corporation has no taxing power. The 1978 Series 10 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 of or interest on the 1978 Series 10 Bonds.

The 1978 Series 10 Bonds are offered when, as and if issued by the Corporation and received by the Underwriters and subject to approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. It is expected that the 1978 Series 10 Bonds in definitive form will be available for delivery on or about November 30, 1978. At the option of any underwriter, delivery will be available at the Depository Trust Company, New York, New York.

The date of this Official Statement is November 15, 1978.
No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 1978 Series 10 Bonds or any other securities of the Municipal Assistance Corporation For The City of New York by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by such Corporation and by other sources which are believed to be reliable by such Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of such Corporation or of the State of New York or of The City of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE 1978 SERIES 10 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>The Corporation and the Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Recent Legislation Relating to the Corporation</td>
<td>2</td>
</tr>
<tr>
<td>Debt Issuance Plan</td>
<td>2</td>
</tr>
<tr>
<td>Sales Under Debt Issuance Plan and Market Overhang</td>
<td>3</td>
</tr>
<tr>
<td>Additional Limitations on Bond Issuance</td>
<td>4</td>
</tr>
<tr>
<td>Payment of the Second Resolution Bonds</td>
<td>4</td>
</tr>
<tr>
<td>Per Capita Aid, Tax Revenues and Debt Service</td>
<td>5</td>
</tr>
<tr>
<td>Certain Factors</td>
<td>6</td>
</tr>
<tr>
<td>2. FOUR YEAR DEBT ISSUANCE PLAN</td>
<td>6</td>
</tr>
<tr>
<td>3. OUTSTANDING DEBT OF THE CORPORATION</td>
<td>8</td>
</tr>
<tr>
<td>4. USE OF PROCEEDS</td>
<td>8</td>
</tr>
<tr>
<td>5. PROVISIONS FOR PAYMENT OF THE BONDS</td>
<td>9</td>
</tr>
<tr>
<td>General</td>
<td>9</td>
</tr>
<tr>
<td>Appropriation By Legislature</td>
<td>12</td>
</tr>
<tr>
<td>Municipal Assistance State Aid Fund</td>
<td>13</td>
</tr>
<tr>
<td>Per Capita Aid</td>
<td>14</td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>15</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>16</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>20</td>
</tr>
<tr>
<td>Restoration of Capital Reserve Aid Fund FederalBankruptcy Legislation</td>
<td>22</td>
</tr>
<tr>
<td>6. DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS</td>
<td>23</td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>23</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
<td>25</td>
</tr>
<tr>
<td>Debt Service Requirements and Estimated Coverage Ratios</td>
<td>25</td>
</tr>
<tr>
<td>7. BONDS BEING OFFERED</td>
<td>28</td>
</tr>
<tr>
<td>Description of the Bonds</td>
<td>28</td>
</tr>
<tr>
<td>Additional Bonds and Notes</td>
<td>30</td>
</tr>
<tr>
<td>8. CERTAIN DEVELOPMENTS AFFECTING THE STATE</td>
<td>31</td>
</tr>
<tr>
<td>Long-Term Trends</td>
<td>32</td>
</tr>
<tr>
<td>Financial Difficulties of Fiscal Years 1975 and 1976</td>
<td>32</td>
</tr>
<tr>
<td>9. CERTAIN DEVELOPMENTS AFFECTING THE CITY</td>
<td>37</td>
</tr>
<tr>
<td>Financial Difficulties of 1975</td>
<td>38</td>
</tr>
<tr>
<td>Three Year Financial Plan: Fiscal Years 1976-1978</td>
<td>38</td>
</tr>
<tr>
<td>Four Year Financial Plan: Fiscal Years 1979-1982</td>
<td>40</td>
</tr>
<tr>
<td>Litigation</td>
<td>44</td>
</tr>
<tr>
<td>Expiration of Plan</td>
<td>44</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>45</td>
</tr>
<tr>
<td>10. LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN</td>
<td>45</td>
</tr>
<tr>
<td>State Legislation</td>
<td>46</td>
</tr>
<tr>
<td>Federal Guarantee Act</td>
<td>46</td>
</tr>
<tr>
<td>Pension Legislation</td>
<td>48</td>
</tr>
<tr>
<td>Financing Agreement</td>
<td>48</td>
</tr>
<tr>
<td>Guarantee Agreement</td>
<td>50</td>
</tr>
<tr>
<td>Seasonal Agreement</td>
<td>51</td>
</tr>
<tr>
<td>11. VARIOUS CONTROL PROGRAMS</td>
<td>51</td>
</tr>
<tr>
<td>Powers of the Corporation</td>
<td>52</td>
</tr>
<tr>
<td>Conditions to Payments to the City</td>
<td>52</td>
</tr>
<tr>
<td>Control Board</td>
<td>53</td>
</tr>
<tr>
<td>12. AGREEMENT OF THE STATE OF NEW YORK</td>
<td>54</td>
</tr>
<tr>
<td>13. MANAGEMENT</td>
<td>55</td>
</tr>
<tr>
<td>14. LITIGATION</td>
<td>58</td>
</tr>
<tr>
<td>15. SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION</td>
<td>59</td>
</tr>
<tr>
<td>16. TRUSTEE</td>
<td>71</td>
</tr>
<tr>
<td>17. LEGAL INVESTMENT</td>
<td>72</td>
</tr>
<tr>
<td>18. TAX EXEMPTION</td>
<td>72</td>
</tr>
<tr>
<td>19. LEGAL OPINIONS</td>
<td>72</td>
</tr>
<tr>
<td>20. UNDERWRITING</td>
<td>72</td>
</tr>
<tr>
<td>21. FINANCIAL STATEMENTS</td>
<td>73</td>
</tr>
<tr>
<td>Exhibit A—Audited Financial Statements</td>
<td>73</td>
</tr>
<tr>
<td>Exhibit B—Opinion of Bond Counsel</td>
<td>73</td>
</tr>
</tbody>
</table>

Lazard Frères & Co.—Financial Advisor
OFFICIAL STATEMENT

OF

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

Relating to the Issue and Sale of

$125,000,000 of its

1978 Series 10 Bonds

PART 1—INTRODUCTION

The purpose of this Official Statement of the Municipal Assistance Corporation For The City of New York (the "Corporation") is to set forth information in connection with the offering of the Corporation's 1978 Series 10 Bonds (the "1978 Series 10 Bonds"). Certain factors that may affect decisions to invest in the 1978 Series 10 Bonds are described in this Official Statement and persons considering a purchase of such Bonds should read this Official Statement in its entirety.

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 State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, each as further amended (the "Act"), for the purpose of assisting The City of New York (the "City") in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. To carry out such purpose, the Corporation is empowered, among other things, to issue and sell bonds and notes, to pay or lend moneys 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 "PART 11—VARIOUS CONTROL PROGRAMS" and "PART 13—MANAGEMENT."

The 1978 Series 10 Bonds will be issued pursuant to the Act, the Corporation's second general bond resolution dated November 25, 1975 (the "Second General Bond Resolution") and the series resolution of the Corporation authorizing the 1978 Series 10 Bonds (the "1978 Series 10 Resolution"). For a description of the Second General Bond Resolution, see "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION." All bonds which are or may be issued under the Second General Bond Resolution are herein collectively referred to as the "Second Resolution Bonds."

The 1978 Series 10 Bonds are due July 1, 2008 and are subject to redemption at the option of the Corporation on and after July 1, 1988 as a whole on any date, or in part on any interest payment date or dates, and are subject to mandatory redemption by lot through operation of a sinking fund. Giving effect to sinking fund redemptions, the average life of the 1978 Series 10 Bonds would be approximately 25 3/4 years calculated from November 15, 1978. For a more detailed description of the 1978 Series 10 Bonds, see the cover page of this Official Statement and "PART 7—BONDS BEING OFFERED."

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and
notes, and notes issued to meet the City’s seasonal borrowing requirements). After the issuance of the 1978 Series 10 Bonds (and giving effect to the prior issuance of the Corporation’s 1978 Series 11, 12 and 13 Bonds), the Corporation will have issued $6.192 billion aggregate principal amount of bonds and notes under this test. The Corporation will have outstanding (excluding bonds that have been refunded) $2.5 billion aggregate principal amount of bonds issued under the Second General Bond Resolution, and $3.132 billion aggregate principal amount of bonds issued under its General Bond Resolution dated July 2, 1975, as amended and supplemented (the “First General Bond Resolution”). The bonds that are or may be issued under the First General Bond Resolution (the “First Resolution Bonds”) have no claim on the per capita State aid pledged to the payment of Second Resolution Bonds, but are payable from and have a prior claim on revenues derived from certain sales and compensating use taxes imposed by the State within the City and, if needed, the State stock transfer tax. See “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS” for a more detailed description of the revenues available for payment of the 1978 Series 10 Bonds.

Recent Legislation Relating to the Corporation

In June 1978 and September 1978 State legislation was enacted (the “1978 Amendments”) that, among other things, amended the Act to increase from $5.8 billion to $8.8 billion the amount of bonds and notes which may be issued by the Corporation and to expand the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments of moneys to the City for any item that is permitted to be included in the City’s capital budget, (ii) payments that will have the effect of reducing the City’s requirements for State advances of State assistance moneys payable to the City, (iii) payments into a fund in connection with the Federal guarantee of obligations of the City or the Corporation (the “Guarantee Fund”), and (iv) financing the City’s seasonal borrowing requirements.

In addition, the 1978 Amendments authorize and require the Corporation to include, with respect to bonds or notes of the Corporation issued after September 28, 1978, including the 1978 Series 10 Bonds, a covenant of the State (the “1978 State Covenant”) that the State will not take certain actions, including any action that will substantially impair the authority of the New York State Financial Control Board (the “Control Board”) to act in specified respects with regard to the City. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—State Legislation”, “PART 11—VARIOUS CONTROL PROGRAMS—Powers of the Corporation” and, with respect to the 1978 State Covenant and its enforceability, “PART 12—AGREEMENT OF THE STATE OF NEW YORK.”

The 1978 Amendments also amended the New York State Financial Emergency Act for the City of New York (as amended, the “Emergency Act”) to, among other things, extend the duration of the Control Board and modify its powers. See “PART 11—VARIOUS CONTROL PROGRAMS—Control Board.”

Debt Issuance Plan

The sale of the Corporation’s 1978 Series 10 Bonds and the prior sale of the Corporation’s 1978 Series 11, 12 and 13 Bonds are among the initial steps in the implementation of a program to provide necessary long and short-term financing to the City over the next four fiscal years, during which time the City expects to follow a plan designed to bring its expense budget into balance in accordance with generally accepted accounting principles (“GAAP”), to reduce its seasonal borrowing requirements, to provide funds for capital expenditures and to enable the City to regain access to the public credit markets. See “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Four Year Financial Plan: Fiscal Years 1979-1982.”

The four year financing plan (the “Debt Issuance Plan”) includes four long-term financing components: (1) the sale of up to $1.8 billion of the Corporation’s Second Resolution Bonds to various New York City commercial banks, savings banks and insurance companies (the “Financial Institutions”) and four City employee pension funds (the “City Pension Funds”); (2) the sale of up to $750 million federally guaranteed City bonds to the City Pension Funds and two State employee pension funds (the “State Pension Funds”); (3) sales to the public of up to $1 billion of the Corporation’s bonds; and (4) sales to the public of up to $950 million of City bonds that are not federally guaranteed (or, if neither the City nor the Corporation is able to sell its bonds to the public in sufficient amounts on reasonable terms to fulfill this element of the Plan, private sales to the City and State Pension Funds.
of up to $900 million of federally guaranteed City bonds). The sales to the Financial Institutions and City Pension Funds of the Corporation’s bonds are to be made pursuant to an agreement dated November 1, 1978 among the Corporation, the Financial Institutions and the City Pension Funds (the “Financing Agreement”). The Federal guarantee of the bonds of the City, authorized by the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the “Federal Guarantee Act”), is to be made pursuant to an agreement dated November 1, 1978 among the United States of America, the City, the State, the Control Board and the Corporation (the “Agreement to Guarantee”) and the purchase of such guaranteed City bonds (the “Guaranteed City Bonds”) is to be made pursuant to an agreement dated November 1, 1978 among the United States of America, the City and the City and State Pension Funds (the “Guaranteed Bond Purchase Agreement”) (together, the “Guarantee Agreement”).

In addition, the City’s 1979 seasonal financing requirements are to be met by the loans to the City of up to an aggregate of $750 million evidenced by the City’s short-term notes (which are not to be federally guaranteed) by the City Pension Funds and the commercial banks that are among the Financial Institutions (the “Commercial Banks”) pursuant to an agreement among such purchasers and the City dated November 1, 1978 (the “Seasonal Agreement”). This commitment will be reduced by the amount of any notes issued by the City or by the Corporation for seasonal financing purposes.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, its implementation is subject to the conditions imposed by Federal and State legislation relating to such a program and to the numerous and complex conditions contained in the Financing Agreement, the Guarantee Agreement and the Seasonal Agreement. Certain of such conditions may be difficult to fulfill and many conditions are not within the control of the Corporation. Among such conditions are the requirement that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter balanced in accordance with GAAP (and make substantial progress toward that goal during fiscal years 1979 through 1981), that the 1978 State Covenant and specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State, and that substantially all the purchases scheduled to have been made pursuant to the Debt Issuance Plan shall have been made.

For more detailed information on the Debt Issuance Plan, see “PART 2—FOUR YEAR DEBT ISSUANCE PLAN.” For a description of the Financing Agreement, Guarantee Agreement and Seasonal Agreement, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

Sales Under Debt Issuance Plan and Market Overhang

On November 1, 1978 the Financial Institutions and the City Pension Funds made their initial purchases under the Financing Agreement of $401 million of the Corporation’s 1978 Series 11, 12 and 13 Second Resolution Bonds (the “1978 Private Series Bonds”).

The 1978 Private Series Bonds, sold at par, consist of the following:

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<tr>
<td>12</td>
<td>$ 60,375,000</td>
<td>July 1, 1998</td>
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<td>13</td>
<td>$201,100,000</td>
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<td>1996</td>
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<td>1997</td>
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<tr>
<td>1998</td>
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* Although the Corporation and the Financial Institutions and City Pension Funds had agreed on August 8, 1978 to interest rates for the 1978 Series 11 and 12 Bonds of 83/4% and to a net interest cost for the 1978 Series 13 Bonds of 83/4% (assuming issuance of all such series Bonds at par), such interest rates are now under renewed discussions among the parties to the Financing Agreement. Such discussions will conclude and final terms of such bonds determined and publicly announced prior to the issuance of a final Official Statement.
The 1978 Private Series Bonds, taken as a whole, have an average life of 13.1 years from their date of issuance. Although the Financial Institutions (including the Commercial Banks that are managing and other underwriters of this offering and the Trustee, which is also a Commercial Bank) and the City Pension Funds have agreed, to the extent permitted by law, not to sell, offer to sell, or otherwise dispose of the 1978 Private Series Bonds without the consent of the Corporation and the underwriters for a period of days after the delivery of the 1978 Private Series Bonds, the underwriters, the Financial Institutions and the City Pension Funds may offer or sell all or a portion of such Bonds following expiration of the day period. Any such offer or sale may have an adverse effect on the market price of the 1978 Series 10 Bonds. For further information with respect to the Financing Agreement, see "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement."

Commercial Banks, some of which are also underwriters of this offering, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

**Additional Limitations on Bond Issuance**

The Corporation has included in the 1978 Series 10 Resolution, and in certain other resolutions, a covenant that it will not issue any additional obligations under the First General Bond Resolution if such issuance would cause maximum annual debt service on all obligations issued and outstanding under the First General Bond Resolution to exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes). In addition, the Corporation has covenanted to impose an additional coverage test for the issuance of additional Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds, increasing required coverage from 1.2 times to 2 times.

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation’s bonds and notes outstanding under the First and Second General Bond Resolutions shall not exceed $8.8 billion. Such provision also restricts the Corporation’s issuance of bonds other than pursuant to the First or Second General Bond Resolution and subjects its issuance of short-term notes (which are subordinate to obligations issued under the First or Second Bond Resolution) to the same two-times coverage test imposed on Second Resolution Bonds. For a description of these and other limitations, see “PART 7—BONDS BEING OFFERED—Additional Bonds and Notes.” The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, in certain circumstances after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purpose for which the Corporation may issue its bonds may be limited, as described in “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement.”

**Payment of the Second Resolution Bonds**

The Second Resolution Bonds, including the 1978 Series 10 Bonds, are general obligations of the Corporation, payable from any available revenues of the Corporation not otherwise pledged, as well as from any revenues of the Corporation pledged to the payment of the Second Resolution Bonds.

As described herein, the Corporation’s revenues pledged to the payment of the Second Resolution Bonds are derived from three sources: Per Capita Aid, the Sales Tax and the Stock Transfer Tax. “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 of the Corporation derived from the Sales Tax and the Stock Transfer Tax are pledged to the payment of the Second Resolution Bonds only to the extent that such revenues are not required to meet debt service and capital reserve fund requirements on obligations issued under the First General Bond Resolution.
The methods by which the Corporation receives its revenues are established by State law. The Finance Law provides that, subject to annual appropriation by the State Legislature, Per Capita Aid is apportioned and paid from the Local Assistance Fund in the State’s General Fund, 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 the Chairman of the Corporation certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and the Second General Bond Resolution for the Second Resolution Bonds. See “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS—Adjusted Per Capita Aid.”

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”). Subject to annual appropriation by the State Legislature, and only after meeting debt service and capital reserve fund requirements on obligations of the Corporation issued under the First General Bond Resolution, to the extent that amounts in the Special Aid Account are insufficient to meet obligations of the Corporation with respect to the Second Resolution Bonds, moneys in the Special Tax Account are to be paid to the Corporation at such times and in such amounts as its Chairman certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and by the Second General Bond Resolution for the Second Resolution Bonds.

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

The State Legislature appropriated Per Capita Aid and the Sales Tax and Stock Transfer Tax for the benefit of the Corporation for each of the State’s fiscal years since 1976, including the State’s 1979 fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. See “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Appropriation By Legislature.” (The State’s fiscal year ends March 31 in each year. The fiscal years of both the Corporation and the City end June 30 in each year.)

Amounts paid to the Corporation from the Special Aid Account, and from the Special Tax Account as referred to above, are deposited into the bond service fund and capital reserve fund established under the Second General Bond Resolution and held by the Trustee (the “Bond Service Fund” and “Capital Reserve Aid Fund,” respectively). The Second Resolution Bonds are secured by an equal charge and a first lien on all moneys and securities in the Bond Service Fund and the Capital Reserve Aid Fund. The amount required to be deposited in the Bond Service Fund for any fiscal year is the amount needed to pay principal (including Sinking Fund Installments), interest and any redemption premium maturing or otherwise coming due on all outstanding Second Resolution Bonds during such fiscal year. The amount required to be on deposit in the Capital Reserve Aid Fund for any calendar year is a fixed percentage of principal (including Sinking Fund Installments) and interest maturing or otherwise coming due on outstanding Second Resolution Bonds during a specified calendar year.

For a more detailed description of the funds to be used to pay the principal of and interest on the Second Resolution Bonds, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS.”

Per Capita Aid, Tax Revenues and Debt Service

Per Capita Aid apportioned and paid into the Special Aid Account and paid to the Corporation, and (to the extent not required by the Corporation) the City, with respect to the Corporation’s 1978 fiscal year was approximately $434 million. This amount was subject to reduction by prior claims to Per
Capita Aid, but no claims were asserted. Potential prior claims are described under “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS—Adjusted Per Capita Aid.”

Collections of the Sales Tax and the Stock Transfer Tax with respect to the twelve months ended September 30, 1978, available for payment of the First and Second Resolution Bonds were approximately $1.26 billion (excluding the 25% surcharge formerly imposed on the Stock Transfer Tax, which surcharge terminated July 31, 1978, and net of State expenses of administration and the Corporation’s estimated operating expenses).

The debt service payment requirements on the outstanding First Resolution Bonds at present range from a high of $378 million in the Corporation’s 1986 fiscal year to a low of $299 million in the Corporation’s 1982 fiscal year. After issuance of the 1978 Series 10 Bonds, and after giving effect to the issuance of the 1978 Private Series Bonds, debt service payment requirements on the then outstanding Second Resolution Bonds will range from a high of $322 million in the Corporation’s 1989 fiscal year to a low of $17 million in the Corporation’s 1999 fiscal year. For further information with respect to the Corporation’s revenues and debt service, as well as estimated coverage ratios, and the effect of additional issuances by the Corporation under the Debt Issuance Plan, see “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.”

Certain Factors

The Corporation believes that the market for, the market price of and the sources of payment of the 1978 Series 10 Bonds may be affected by certain factors described elsewhere in this Official Statement. Both the State and the City face serious potential long-term economic and demographic problems which may affect the level of Per Capita Aid and the levels of collections of the Sales Tax and Stock Transfer Tax in the future. If the financings included in the Debt Issuance Plan are not completed on a timely basis and an alternative financing plan is not developed, the market for and market prices of the Corporation’s bonds, including the 1978 Series 10 Bonds would be likely to be adversely affected. For a more detailed description of such problems and other factors, see “PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE”, “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY” and “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

PART 2—FOUR YEAR DEBT ISSUANCE PLAN

The Corporation, in conjunction with the City, has developed the Debt Issuance Plan to provide approximately $4.5 billion of long-term financing for the City during the 1979 through 1982 fiscal years. For a description of the City’s financial plan for such fiscal years, see “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Four Year Financial Plan: Fiscal Years 1979-1982.” The funds to be provided by the Debt Issuance Plan are expected to be used to fund the following items: $2.3 billion for the City’s capital needs; $900 million for certain expense items permitted to be included in the City’s capital budget under State law during the period of the phase-out of such items from the capital budget but not permitted to be included under GAAP; $600 million to refund prior to their maturity certain outstanding bonds of the Corporation; $300 million to fund the Corporation’s capital reserve funds and the Guarantee Fund; and $400 million to reduce the need for an advance from the State to the City of State assistance monies, an advance made by the State in each of the City’s 1975 through 1978 fiscal years in the amount of $800 million.

The Debt Issuance Plan provides for the sale of an aggregate of $1.8 billion of the Corporation’s Second Resolution Bonds to the Financial Institutions and the City Pension Funds pursuant to the Financing Agreement and for the sale to the public of $1 billion of the Corporation’s bonds. In addition, $750 million is to be provided by the sale of Guaranteed City Bonds to the City and State Pension Funds pursuant to the Guarantee Agreement. The final $950 million of the $4.5 billion is to be provided by the sale to the public in the 1981 and 1982 fiscal years of City bonds that are not federally guaranteed. If neither the City nor the Corporation is able to sell its bonds to the public in the amounts planned on reasonable terms in fiscal years 1981 and 1982, the City and State Pension Funds have agreed to purchase up to an additional $900 million of Guaranteed City Bonds pursuant to, and subject to the conditions of, the Guarantee Agreement.
The year-by-year sources of funds under the Debt Issuance Plan are set forth on the following schedule:

**DEBT ISSUANCE PLAN**

**Sources of Funds**

**Fiscal Years Ending June 30, 1979-1982**

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<tbody>
<tr>
<td></td>
<td>Dollars in thousands</td>
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<td>Private Placements of the Corporation's Bonds</td>
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<td></td>
<td></td>
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<tr>
<td>City Pension Funds</td>
<td>60,425</td>
<td>222,240</td>
<td>222,240</td>
<td>120,095</td>
<td>625,000</td>
</tr>
<tr>
<td>Commercial Banks</td>
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<td>222,240</td>
<td>222,240</td>
<td>120,095</td>
<td>625,000</td>
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<tr>
<td>Savings Banks</td>
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<td>75,000</td>
<td>75,000</td>
<td>300,000</td>
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<td>Insurance Companies</td>
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<td>17,520</td>
<td>17,520</td>
<td>9,510</td>
<td>249,700</td>
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<td>Subtotals</td>
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<td>537,000</td>
<td>537,000</td>
<td>324,700</td>
<td>1,799,700</td>
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<td>Sales to the Public of the Corporation's Bonds</td>
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<td>500,000</td>
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<td>--</td>
<td>1,000,000</td>
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<tr>
<td>Private Placements of Guaranteed City Bonds</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Pension Funds</td>
<td>250,000</td>
<td>125,000</td>
<td>--</td>
<td>--</td>
<td>375,000</td>
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<td>State Pension Funds</td>
<td>250,000</td>
<td>125,000</td>
<td>--</td>
<td>--</td>
<td>375,000</td>
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<tr>
<td>Subtotals</td>
<td>500,000</td>
<td>250,000</td>
<td>--</td>
<td>--</td>
<td>750,000</td>
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<tr>
<td>Sales to the Public of City Bonds</td>
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<td>--</td>
<td>300,000</td>
<td>650,000</td>
<td>950,000</td>
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<td>Total Sources</td>
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<td>$837,000</td>
<td>$974,700</td>
<td>$4,499,700</td>
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In addition, in order to provide short-term seasonal financing to the City during its current fiscal year, the Commercial Banks and the City Pension Funds have agreed to loan to the City in this fiscal year up to $750 million evidenced by seasonal notes of the City (the “1979 Seasonal Notes”) pursuant to the Seasonal Agreement. The 1979 Seasonal Notes will not be federally guaranteed and the amount of 1979 Seasonal Notes to be purchased under the Seasonal Agreement will be reduced by the amount of any seasonal notes sold by the City other than pursuant to the Seasonal Agreement or by the Corporation.

The Financing Agreement, the Guarantee Agreement and the Seasonal Agreement (collectively, the “Agreements”) were executed, and the initial purchases provided for in the Financing Agreement and the Guarantee Agreement were made, on November  , 1978; $401 million of Second Resolution Bonds were sold under the Financing Agreement and $200 million of Guaranteed City Bonds were sold under the Guarantee Agreement.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, the obligations of each of the purchasers to make the further purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirement that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), that specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State, and that substantially all the purchases scheduled to have been made pursuant to the Debt Issuance Plan shall have been made. Accordingly, no assurance can be given that the applicable conditions of the Agreements will in the future be satisfied,
or if satisfied that such purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

For a description of the Agreements, certain of the conditions contained in the Agreements, and the legislation authorizing such Agreements, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

PART 3—OUTSTANDING DEBT OF THE CORPORATION

After the issuance of the 1978 Series 10 Bonds, and after giving effect to the delivery of $401 million of 1978 Private Series Bonds to the Financial Institutions and City Pension Funds on November 17, 1978, the Corporation will have outstanding $2.5 billion in Second Resolution Bonds and $3.132 billion in First Resolution Bonds (excluding bonds that have been refunded).

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

As at September 30, 1978, there was on deposit in the Bond Service Fund and the Capital Reserve Aid Fund $50.5 million and $216.1 million, respectively, for the payment of principal of and interest on the Second Resolution Bonds, which amounts equal or exceed the amounts required by the Act and the Second General Bond Resolution to be certified for and deposited in such Funds on such date. After application of the proceeds of this offering, and giving effect to the application of the proceeds of the sale of the 1978 Private Series Bonds, there will be on deposit $240.1 million in the Capital Reserve Aid Fund, which amount exceeds the requirement of the Act. See “PART 4—USE OF PROCEEDS.”

For additional information concerning the financial condition of the Corporation as at June 30, 1978 and as at September 30, 1978 and certain transactions occurring between September 30, 1978 and the date hereof, see the audited financial statements of the Corporation as at June 30, 1978 and the unaudited financial statements of the Corporation as at September 30, 1978, annexed hereto and “PART 21—FINANCIAL STATEMENTS.”

PART 4—USE OF PROCEEDS

The net proceeds of the sales of the 1978 Series 10 Bonds and of the 1978 Private Series Bonds will be $137 million and $401 million, respectively, providing aggregate net proceeds of $538 million. Approximately $24 million of the aggregate net proceeds will be deposited in the Capital Reserve Aid Fund established pursuant to the Act and the Second General Bond Resolution. As a result of such deposit, the Capital Reserve Aid Fund under the Second General Bond Resolution will be maintained at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. The Corporation intends in connection with any future issuances of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100% of the debt service coming due in the year of such issuance. The Act requires that as of calendar year 1981, 100% of the succeeding calendar year’s debt service be maintained in such Fund. For further information with respect to the Capital Reserve Aid Fund, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—General” and “Restoration of Capital Reserve Aid Fund.”

Approximately $47 million of such aggregate net proceeds will be deposited in the Capital Reserve Fund, established pursuant to the Act and the First General Bond Resolution, to bring such Fund up to 75% of debt service due in calendar year 1979 on First Resolution Bonds, which is the level required by the Act to be on deposit for calendar year 1979. Approximately $27 million of such
aggregate net proceeds will be deposited in the Guarantee Fund. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—State Legislation” and “Federal Guarantee Act.”

Of the balance of such aggregate net proceeds, approximately $400 million will be paid to the City upon certification by the Mayor of the City (the “Mayor”) that such payment will have the effect of reducing the City’s requirements for an advance by the State of State assistance moneys payable to the City and approximately $ million will be paid to the City upon certification by the Mayor that such payment will be used to pay expense items currently permitted to be included in the City’s capital budget. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

PART 5—PROVISIONS FOR PAYMENT OF THE BONDS

General

The Second Resolution Bonds are general obligations of the Corporation payable out of any available revenues of the Corporation not otherwise pledged as well as any revenues of the Corporation pledged to the payment of Second Resolution Bonds. The Second Resolution Bonds are entitled to a first lien, created by the pledge under the Second General Bond Resolution, of all moneys and securities paid or deposited into the Bond Service Fund and the Capital Reserve Aid Fund held by United States Trust Company of New York, as trustee (the “Trustee”). Such moneys and securities include each of the following: (i) amounts derived from Per Capita Aid received by the Corporation from the State as payments from the Municipal Assistance State Aid Fund (see “Municipal Assistance State Aid Fund” in this PART 5) for deposit in the Bond Service Fund and in the Capital Reserve Aid Fund; (ii) amounts derived from the Sales Tax and the Stock Transfer Tax received annually by the Corporation from the State as payments from the Municipal Assistance Tax Fund (after payment from such Fund to the Corporation of the amounts required to be deposited in 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” in this PART 5); and (iv) any income or interest earned as a result of investments of such amounts so deposited in such Bond Service Fund and Capital Reserve Aid Fund. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION.”

holders of obligations of the Corporation, including the 1978 Series 10 Bonds, have no lien on moneys on deposit in the Guarantee Fund. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act.”

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 of the Corporation to the State Comptroller and to 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 the fiscal year beginning on the following July 1 on all outstanding Second Resolution 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 be on deposit in the Capital Reserve Aid Fund for a specified calendar year is a fixed percentage of the interest and the principal (including sinking fund installments) maturing or otherwise coming due during such calendar year on all outstanding Second Resolution Bonds, including for such purpose any unpaid amounts of such principal and interest owing in respect of prior calendar years. The fixed percentages of such debt service requirements to be maintained in the Capital Reserve Aid Fund for the calendar years 1978, 1979 and 1980 are 50%, 75% and 100% of the requirements for such years, respectively. Beginning in 1981,
the fixed percentage is 100% of the succeeding calendar year's debt service requirements. As stated above, the Corporation will deposit in the Capital Reserve Aid Fund from the proceeds of the 1978 Series 10 Bonds an amount sufficient to maintain the balance therein at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

Payments to the Corporation of the amounts referred to in clauses (i) and (ii) above are required to be made by the State only if and to the extent that such amounts have been appropriated by the State Legislature or that revenues have otherwise been made available therefor by the State. See "Municipal Assistance State Aid Fund" and "Municipal Assistance Tax Fund" in this Part 5. The source of moneys in the Special Aid Accounts 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 the Special Aid Account only after statutory claims on such aid having a priority over the claims of the Corporation have been paid. Such prior statutory claims are described under "Part 6—Debt Service Payment Requirements and Estimated Coverage Ratios." The sources of moneys in the Special Tax Account are the Sales Tax and, if required, the Stock Transfer Tax Fund, the moneys in which are derived from the Stock Transfer Tax imposed by Article 12 of the Tax Law.

The Corporation, in accordance with the Act and pursuant to the express provisions of the Second General Bond Resolution, has covenanted to cause its Chairman to certify (at the time or times required in each year) to the State Comptroller and to the Mayor schedules setting forth the cash requirements of the Corporation and the time or times when such cash is required, all as described above.

In addition to the moneys that become available to the Corporation from the Special 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 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 any corporate purposes of the Corporation.

The 1978 Amendments authorize the Corporation to take certain actions with respect to City obligations it holds. On November 1, 1978, in accordance with the Act and the Guarantee Agreement, the Corporation presented to the City for cancellation without payment the tax and revenue anticipation notes and budget notes of the City that it then held. On or before March 31, 1979, the Corporation, as required by the Guarantee Agreement, expects to surrender all City bond anticipation notes it holds to the City for cancellation or in exchange for City bonds or to enter into an agreement with the City satisfactory to the Secretary of the Treasury of the United States of America (the "Secretary") with respect to payment of such notes. Under the Act, the Corporation may not present City bonds to the City for cancellation without receiving payment of principal and interest thereon or exchanging such bonds for other bonds. See "Part 11—Various Control Programs—Powers of the Corporation." The amount the Chairman is required to certify for debt service on the Second Resolution Bonds may not be reduced by any amounts payable to but not yet received by the Corporation in respect of obligations of the City but may be reduced to the extent that such moneys are received and deposited in the Bond Service or Debt Service Fund. Such obligations of the City held from time to time by the Corporation are not subject to the lien created by the pledge under the First or Second General Bond Resolutions.
The following chart illustrates the flow of money as described above:

1. Subject to appropriation by State Legislature.
2. See “Municipal Assistance State Aid Fund” in this Part 5.
3. Including Capital Reserve Fund requirement.
4. Available, if necessary.
5. After certification by the Corporation as to its requirements.
6. Subject to appropriation by State Legislature and after payment of all amounts certified by the Corporation, if any, and after payment of rebates of the Stock Transfer Tax, see "Stock Transfer Tax" in this Part 5.
7. After payment of all amounts certified by the Corporation.
Neither the Corporation nor the holders of the Second Resolution 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 Second Resolution 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 Second Resolution Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City is liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal of or interest on the Second Resolution 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 any appropriation. Under the State Constitution, an appropriation of State funds must be paid out within two years of the date of the appropriation act so that such aid and taxes may not be appropriated by a current Legislature for future years. 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 current fiscal year. It is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years, see "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE."

The Sales Tax is now imposed at the same rate and upon substantially the same base as the previously imposed City sales tax. Under the Finance Law, the Sales Tax 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 has been appropriated and has been paid to the Corporation in full. Provisions of the Finance Law similarly restrict the use of moneys in the Special Aid Fund in the Municipal Assistance State Aid Fund by the State Comptroller. The Special Aid Account is also a special fund of the State.

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

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

Although the Special Aid Account is a special fund of the State, the moneys in such Account are derived from the General Fund of the State and it is unclear whether such moneys would be subject to being set aside by the State Comptroller pursuant to either Section 55 of the Finance Law or Article 7, Section 16 of the State Constitution.

**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. Subject to appropriation by the State Legislature, the Special Aid Account receives revenues from the Per Capita Aid after certain claims having a priority on the payment of such aid have been satisfied. For a description of such prior claims, see “Part 6—Debt Service Payment Requirements and Estimated Coverage Ratios.”

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 payment from the Special Tax Account, subject to prior claims thereon with respect to obligations issued under the First General Bond Resolution and the Operating Fund requirements, to the Corporation of an amount equal to the deficiency. See “Municipal Assistance Tax Fund” in this Part 5.

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 Finance Law, the State Comptroller may not disburse amounts from the Special Aid Account (or 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 payments to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund from the Special Aid Account and the Special Tax Account to be made on or before January 15, April 15, June 25 and October 15 in each year. Moneys on deposit in the Special Aid Account in excess of the amount certified by the Chairman as required by the Corporation are paid to the City. Although quarterly payments of Per Capita Aid are provided for by the Finance Law, substantially all of the Per Capita Aid payable to the Corporation (and, to the extent not required by the Corporation, payable to the City) is paid on an annual basis as part of the June 25 payment. That portion of the June 25 payment of Per Capita Aid not required by the Corporation is paid to the City on June 30. 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 payments from the Special Aid Account and from the Special Tax Account, which payments are expected to aggregate the total debt service payments required to be made in such year, see "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Maintenance of Certain Funds."

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 or refusal of the State to continue to apportion and pay Per Capita Aid, as the laws relating to Per Capita Aid may be amended, or the failure of the State to maintain the existence of the Municipal Assistance State Aid Fund or the Special Aid Account or a reduction by the State of the amount of Per Capita Aid, as so amended, payable during any fiscal year to an amount less than the amount of principal and interest maturing or otherwise coming due in such fiscal year 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 Second Resolution Bonds. See "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Events of Default."

The State Comptroller may in his discretion invest revenues on deposit 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

The determination of the amount of Per Capita Aid payable in any year is a legislative act based on complex statutory formulae which take into account the distribution of the State's population, the total assessed valuation of real property taxable within the State as modified to reflect the appropriate equalization rate, personal income, and the 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 1946. The State Legislature may amend or repeal the statutes relating to the payment of Per Capita Aid and the formulae for the determination of the amount of Per Capita Aid. Such amendments could result in the increase or decrease of the amount of Per Capita Aid available for the payment of debt service on Second Resolution Bonds. The State Legislature may also make no appropriation of Per Capita Aid. The financial condition of the State may affect the amount of Per Capita Aid payable.

Payments of Per Capita Aid, upon certification of the State Board of Equalization and Assessment, are apportioned and paid to the Special Aid Account on audit and warrant of the State Comptroller out of moneys appropriated by the State Legislature for such purpose.

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. The following table, which is based on data obtained from the City Office of
Management and Budget, the State Comptroller's office and the State Division of the Budget, indicates the aggregate payments of Per Capita Aid apportioned and paid to the City and, since 1976, to the Corporation for the nine fiscal years ended June 30, 1978:

**Per Capita Aid**
(Dollars in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$204,800</td>
</tr>
<tr>
<td>1971</td>
<td>323,900(a)</td>
</tr>
<tr>
<td>1972</td>
<td>272,250</td>
</tr>
<tr>
<td>1973</td>
<td>331,780</td>
</tr>
<tr>
<td>1974</td>
<td>360,870</td>
</tr>
<tr>
<td>1975</td>
<td>$405,118</td>
</tr>
<tr>
<td>1976</td>
<td>434,311</td>
</tr>
<tr>
<td>1977</td>
<td>434,311(b)</td>
</tr>
<tr>
<td>1978</td>
<td>434,324(b)(c)</td>
</tr>
</tbody>
</table>

(a) Includes a non-recurring increase in Per Capita Aid apportioned because of an acceleration of payment otherwise to be made in 1972.

(b) Reflects State's ceiling on Per Capita Aid payments at the 1976 level, with certain minor modifications applicable to 1978 payments.

(c) An additional $49.276 million was paid into the Special Aid Account in October 1978, which amount is (together with the $434.324 million previously paid) attributable to the State's 1979 fiscal year.

**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 Finance Law provides for the appropriation of the Sales Tax by the State Legislature (although the State Legislature is not obligated or bound to make such appropriation) (i) to the Corporation in order to enable the Corporation to fulfill the terms of any agreements made with the holders of the Corporation's obligations issued pursuant to the First General Bond Resolution, (ii) after payments of the amounts required by (i), to the Corporation to enable the Corporation to fulfill the terms of any agreements made with the holders of the Second Resolution Bonds and to carry out its corporate purposes, and (iii) to the City, to the extent of any balance. The Act provides that any provision therein or in any agreement by the Corporation with the holders of the Corporation's obligations which relates to certain taxes, including the Sales Tax and the Stock Transfer Tax, or to certain funds, including the Municipal Assistance Tax Fund and the Special 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.

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 (in addition to the certifications required under the First General Bond Resolution), 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 at the required level. Pursuant to the Finance Law, 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.

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. See “Stock Transfer Tax” in this Part 5.

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 Tax Account at such times and in such amounts as shall be necessary to enable the Corporation to meet its debt service and Capital Reserve Aid Fund requirements, subject to the prior payment from the Special Tax Account to the Debt Service Fund and Capital Reserve Fund established and maintained under the First General Bond Resolution with respect to obligations issued thereunder and Operating Fund requirements. For additional information concerning the certification procedure, see “Part 15—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 of the amount of revenues received, 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 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 State Legislature. However, the State is not bound or obligated to continue the imposition of either the Sales Tax or the Stock Transfer Tax or to maintain the existence of the Special 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 or refusal of the State for any reason to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by such Law as the same may be from time to time amended or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975, or the failure of the State to maintain the existence of the Special Tax Account or the Stock Transfer Tax Fund, or (ii) the failure of the State Comptroller to pay to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund the amount or amounts as shall be certified by the Chairman, shall each constitute an event of default with respect to the Second Resolution Bonds. See “Part 15—Summary of Certain Provisions of the Second General Bond Resolution—Events of Default.”

Sales Tax

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

The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such
tax are necessarily indicative of future receipts. The primary cause of the growth of sales tax collections in recent years has been inflation. The City has, however, experienced adverse trends in certain economic and demographic factors which contributed in some years to a slowing of the growth rate of sales tax collections. Employment in the City decreased by 9.8% between 1970 and July 1978, as compared to an increase of 20.1% for the United States. The City's unemployment rate, unadjusted for seasonal factors, rose from 4.8% in 1970 to a peak of 11.1% in January 1977 and has since declined to 8.8% as of July 1978. The seasonally adjusted unemployment rate for the United States increased from 4.9% in 1970 to a peak of 9.1% in February through May 1975, and has since declined to 6.2% as of July 1978. The population of the City is estimated to have decreased by approximately 7% between 1970 and June 1978 as compared to a population increase of 6.9% for the United States. (The sources statistics referred to in this paragraph are the New York State Department of Labor, the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of the Census. Statistics for 1970 are annual averages.) See "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

If negative trends continue or accelerate, Sales Tax collections may be adversely affected. The Corporation believes that it is not possible to predict the effect of future developments with respect to the City's economic condition or other related economic developments in the City on Sales Tax collections. 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.

Generally, vendors of any item including services, the sale of which is subject to the imposition of the Sales Tax, are required to file returns and pay this tax on a quarterly basis. Under existing statutes and regulations, such returns and payments are due on September 20, December 20, March 20 and June 20 for the quarter ending on the last day of the preceding month. Since March 1, 1976, however, those large vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, are required to file monthly returns on an historical basis and make monthly payments in addition to filing regular quarterly returns to reconcile their monthly returns with their actual receipts. The same filing requirement was imposed upon vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters from September 1, 1977 to February 28, 1978, but has since been repealed. In addition, such vendors with receipts of $300,000 or more are required to prepay estimated Sales Tax liability for the month of March by March 20 and payments required to be made by April 20 are reduced by the amount of such March estimated payments.

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 Commissioner of Taxation and Finance is required to certify to the State Comptroller the amount of all Sales Tax revenues received, after deduction of administrative costs, during the prior month as a result of the Sales Tax and all interest and penalties imposed. In addition, on or before the last day of June, the Commissioner is required to certify the amount of such revenues received during the first 25 days of June. All such amounts are required to 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 the table below as to adjustments that may be made with respect to the amounts deposited in the Special Tax Account.

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

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Three Months Ended:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
</tr>
<tr>
<td>1969</td>
<td>$101,388</td>
</tr>
<tr>
<td>1970</td>
<td>106,046</td>
</tr>
<tr>
<td>1971</td>
<td>114,093</td>
</tr>
<tr>
<td>1972</td>
<td>121,692</td>
</tr>
<tr>
<td>1973</td>
<td>130,857</td>
</tr>
<tr>
<td>1974</td>
<td>135,272</td>
</tr>
<tr>
<td>1975(b)</td>
<td>173,824</td>
</tr>
<tr>
<td>1976(b)</td>
<td>194,560(e)</td>
</tr>
<tr>
<td>1977(b)</td>
<td>215,794(e)</td>
</tr>
<tr>
<td>1978(b)</td>
<td>221,815(e)</td>
</tr>
<tr>
<td>1979(b)</td>
<td>232,732(e)</td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) The tabular figures have been adjusted through March 1978 to reflect overpayments or underpayments of both sales and compensating use taxes imposed by the City prior to July 1, 1975, and Sales Tax, to the Special Account. Such adjustments were made to subsequent distributions of the Sales Tax to the Special Account and are reflected in the tabular figures in the quarter in which such adjustments were made. Periods subsequent to March 1978 remain subject to the ongoing process of adjustment.

(b) The amounts of sales and compensating use taxes collected for fiscal 1975, 1976, 1977, 1978 and 1979 reflect the increases in the sales and compensating use taxes from 3% to 4%, effective July 1, 1974. The 6% tax on sales of certain parking services has remained the same.

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

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

(e) As a result of the method of monthly filing on an historical basis by large vendors and distribution to localities of Sales Tax for all periods on an historical basis, overdistributions were made to the Special Account which ranged from $2.4 million to $11.1 million for certain three-month periods. The State Department of Taxation and Finance has made reductions in distributions to reflect these overpayments and, in addition, has made increases in distributions in amounts ranging from $1.9 million to $5.6 million to reflect underdistributions for certain periods. The Commissioner of Taxation and Finance believes that future adjustments, occasioned by overdistributions and underdistributions to such Special Account, will be reduced as the State Department of Taxation and Finance improves its techniques and procedures for estimating distributions of payments received from large vendors.

(f) Collections for October 1977 through March 1978 reflect the fact that vendors with taxable receipts of between $100,000 and $300,000 in any quarter of the preceding four quarters were required to make monthly returns and remittances of Sales Tax during that period. As stated above in the text, commencing March 1978 such vendors are no longer required to make and file returns on a monthly basis.
After deductions for the costs of administration, collection and distribution, monthly collections of the sales and compensating use taxes which were imposed by the City prior to July 1, 1975, and of the Sales Tax imposed by the State since July 1, 1975, for the last five fiscal years of the City are as shown below:

### Monthly Collections of Sales and Compensating Use Taxes in the City(a)

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1974</td>
<td>1975</td>
<td>1976(b)</td>
<td>1977(b)</td>
<td>1978(b)</td>
</tr>
<tr>
<td><strong>Dollars in thousands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>$ 5,127</td>
<td>$ 10,110</td>
<td>$ 8,885(c)</td>
<td>$ 51,298</td>
<td>$ 55,763</td>
</tr>
<tr>
<td>August</td>
<td>3,692</td>
<td>3,299</td>
<td>3,855(c)</td>
<td>43,442</td>
<td>50,002</td>
</tr>
<tr>
<td>September</td>
<td>126,453</td>
<td>160,415</td>
<td>181,820(c)</td>
<td>121,054</td>
<td>116,050</td>
</tr>
<tr>
<td>October</td>
<td>5,746</td>
<td>12,910</td>
<td>4,960</td>
<td>49,967</td>
<td>65,696</td>
</tr>
<tr>
<td>November</td>
<td>3,795</td>
<td>3,421</td>
<td>2,592</td>
<td>43,758</td>
<td>60,743</td>
</tr>
<tr>
<td>December</td>
<td>132,432</td>
<td>182,659</td>
<td>186,138</td>
<td>116,658</td>
<td>105,852</td>
</tr>
<tr>
<td>January</td>
<td>7,259</td>
<td>14,617</td>
<td>10,892</td>
<td>57,692</td>
<td>74,159</td>
</tr>
<tr>
<td>February</td>
<td>2,787</td>
<td>3,587</td>
<td>3,580</td>
<td>47,110</td>
<td>59,001</td>
</tr>
<tr>
<td>March</td>
<td>141,529</td>
<td>194,467</td>
<td>232,931(d)</td>
<td>144,125(d)</td>
<td>141,425(d)</td>
</tr>
<tr>
<td>April</td>
<td>5,473</td>
<td>9,242</td>
<td>19,489(d)</td>
<td>23,631(d)</td>
<td>18,979(d)</td>
</tr>
<tr>
<td>May</td>
<td>5,382</td>
<td>6,603</td>
<td>43,685</td>
<td>46,701</td>
<td>52,710</td>
</tr>
<tr>
<td>June</td>
<td>141,123</td>
<td>185,870</td>
<td>103,981</td>
<td>112,948</td>
<td>118,355</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 580,798</strong></td>
<td><strong>$ 787,200</strong></td>
<td><strong>$ 802,608</strong></td>
<td><strong>$ 858,384</strong></td>
<td><strong>$ 918,735</strong></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) See footnotes (a), (e) and (f) to preceding table.

(b) Commencing March 1976, monthly collections reflect the requirement that vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, file monthly returns, and make monthly payments, on an historical basis. In addition, collections in October through March of the 1978 fiscal year reflect the fact that vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters were required to make such payments for sales made between September 1, 1977 and February 28, 1978.

(c) See footnote (c) to preceding table.

(d) Certain large vendors are required to report and make payment in March for estimated amounts of Sales Tax for such month as well as making a payment for the preceding February and making a reconciliation for the quarter ended the preceding February 28. Adjustments necessary to report and reflect actual amounts of Sales Tax for the month of March are required to be made on the monthly return due in the following April.
Stock Transfer Tax

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

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

<table>
<thead>
<tr>
<th>Selling Price Per Share</th>
<th>Rate Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $5</td>
<td>$1.25</td>
</tr>
<tr>
<td>$5 or more but less than $10</td>
<td>$2.50</td>
</tr>
<tr>
<td>$10 or more but less than $20</td>
<td>$3.75</td>
</tr>
<tr>
<td>$20 or more</td>
<td>$5.00</td>
</tr>
</tbody>
</table>

Transactions Other Than Sales
Per share .................................. $2.50

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

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

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

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Three Months Ended:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
</tr>
<tr>
<td>1970</td>
<td>$56,571</td>
</tr>
<tr>
<td>1971</td>
<td>46,563</td>
</tr>
<tr>
<td>1972</td>
<td>62,573</td>
</tr>
<tr>
<td>1973</td>
<td>59,405</td>
</tr>
<tr>
<td>1974</td>
<td>43,612</td>
</tr>
<tr>
<td>1975</td>
<td>35,756</td>
</tr>
<tr>
<td>1976(a)</td>
<td>53,049</td>
</tr>
<tr>
<td>1977(a)</td>
<td>62,220</td>
</tr>
<tr>
<td>1978(a)</td>
<td>68,770</td>
</tr>
<tr>
<td>1979(a)</td>
<td>112,476</td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

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

The rates and maximum amounts of Stock Transfer Tax have been different for different categories of taxable transactions. Prior to October 1, 1977, the tax rate applicable to transactions involving sales by non-residents of the State (as defined in the Tax Law) made within the State had been 50% of the rates then applicable to residents (the "non-resident rate"). In addition, the amount of tax required to be paid on any taxable transaction which involved a sale on a single day (whether made by a resident or a non-resident) made within the State that related to shares or certificates of the same class and issued by the same issuer had been limited to $350 (excluding the surcharge) (the "maximum tax"). In January 1977, this distinction between sales made within the State and sales made outside of the State with respect to the maximum tax and the non-resident rate was declared unconstitutional by the United States Supreme Court. State legislation enacted in 1977 repealed the non-resident rate and the maximum tax, thus eliminating the unconstitutional distinction in the law between sales made within the State and sales made outside the State. The legislation established a new maximum tax, applicable to qualifying sales made within or outside the State.

The Corporation believes that the new maximum tax will cause only a negligible loss in Stock Transfer Tax collections because, although precise data are not available, studies by consultants to the Corporation indicate that the number of transactions involving a sale made outside of the State and subject to a tax in excess of the maximum tax is material.

In addition, in order to eliminate the competitive disadvantage created by the Stock Transfer Tax for the securities industry in New York, the legislation enacted in 1977 instituted a program of statutory rebates, which began October 1, 1977 with respect to transactions by non-residents subject to the tax and will begin October 1, 1979 with respect to transactions by residents. Rebates will increase gradually to equal 100% of the tax beginning October 1, 1981. The legislation provides that taxpayers will continue to pay the Stock Transfer Tax at the above-stated rates and that revenues will continue to be paid into the Stock Transfer Tax Fund, although a substantial portion of such revenues (the rebatable portion of the tax) will be paid into the Stock Transfer Tax Fund only at the end of each calendar quarter. To the extent that the Corporation does not require the use of Stock Transfer Tax revenues for debt service on its outstanding bonds and notes, and that under the Act such revenues would otherwise have been paid to the City, such revenues are available on a quarterly basis for payment of rebates. Any such revenues
not used by the Corporation or to pay rebates are to be paid to the City. In the opinion of Bond Counsel to the Corporation, the procedures with respect to the levy, collection, payment and rebate of the Stock Transfer Tax established by such legislation do not violate any of the provisions of the First or Second General Bond Resolution or any series resolution adopted pursuant thereto.

To date, the Corporation has not found it necessary to use the Stock Transfer Tax to pay its debt service. Based on present projections, the Corporation does not anticipate that it will be necessary to utilize the Stock Transfer Tax in the future, although no assurance can be given that it will not be so required. See "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS."

**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:

**Capital Reserve Aid Fund Requirements**

<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 will be the amount of principal of and interest maturing or otherwise due or becoming due in the succeeding calendar year on any Second Resolution Bonds then to be issued and on all other Second Resolution Bonds of the Corporation then outstanding, including for such purpose any unpaid amounts of principal and interest owing on Second Resolution Bonds 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 "General" in this Part 5.

Under the State Constitution, no money may be paid out of the State Treasury or any of its funds or out of any of the funds under its management except pursuant to an appropriation by law specifying the sum appropriated, and payment thereunder shall be made within two years immediately following passage of such law. Accordingly, the provision of the Act quoted above does not constitute an enforceable obligation or debt of the State. See "Appropriation by Legislature" in this Part 5.
A part of the net proceeds from the sale of the 1978 Series 10 Bonds will be deposited by the Corporation in the Capital Reserve Aid Fund in an amount sufficient to maintain the balance therein at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The Corporation intends in connection with any future issuance of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100% of the debt service coming due in the year of issuance. As of calendar year 1981, the Corporation must maintain the Capital Reserve Aid Fund at 100% of the succeeding calendar year’s debt service, as required by the Act. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

**Federal Bankruptcy Legislation**

As discussed under “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY”, pursuant to the Federal Bankruptcy Act, Chapter 9, a petition for relief (a “Chapter 9 petition”) may be filed by any State agency that is authorized under State law to file such a petition. The Corporation is an agency and instrumentality of the State and, if authorized to file a petition by the State Legislature or other appropriate authority, could file a Chapter 9 petition if the Corporation were insolvent or unable to meet its debts as they mature, and were to meet the other conditions specified in Chapter 9. The Corporation is not now authorized by the State to file a Chapter 9 petition, although it may be so authorized in the future. If the Corporation commenced such a Chapter 9 proceeding, the 1978 Series 10 Bonds would be among the debts of the Corporation it could seek to modify or adjust by a plan in that proceeding. The Corporation does not anticipate that it will seek such authorization and does not anticipate a need for such relief.

Although the filing of a Chapter 9 petition with respect to the City might have a general adverse effect on the economic health of the City, the Corporation believes that the filing by the City or the Control Board of a Chapter 9 petition would not affect the ability of the Corporation to repay its obligations, including the 1978 Series 10 Bonds, see “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

A revised Federal Bankruptcy Act, including a revised Chapter 9, was signed by the President on November 6, 1978. Such revised Chapter 9, which is effective October 1, 1979, will not materially alter the provisions of Chapter 9 described above.

**PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS**

In order to estimate coverage ratios for the Second Resolution Bonds that will be outstanding after the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds, the Corporation has assumed certain amounts of Per Capita Aid, Sales Tax and Stock Transfer Tax collections. There is shown below the basis on which such amounts were calculated. The debt service payment requirements for the First and Second Resolution Bonds as well as certain coverage ratios are also shown below.

**Adjusted Per Capita Aid**

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, although during the Corporation’s 1978 fiscal year, no such claims were asserted. In making such estimates the Corporation has relied on information which it believes to be accurate and has assumed that such claims and liabilities do not exceed the limits set by law.
Per Capita Aid Paid into Special Aid Account during the Corporation’s fiscal year 1978 .............................. $ 434,324

Less Potential Claims and Liabilities:

(a) City University Construction Fund ("CUCF").

The Corporation has been informed by CUCF that its annual requirements, for payment to the Dormitory Authority as its share of certain Dormitory Authority debt service and other expenses, are approximately $55.8 million, 50% of which would be a claim against Per Capita Aid if not otherwise paid by the City to CUCF. The Dormitory Authority anticipates the issuance in the near future of an additional approximately $30 million of bonds, 50% of the debt service on which could constitute an additional claim against Per Capita Aid. The New York State Financial Emergency Act for the City of New York (the "Emergency Act") permits a maximum claim of $65 million in any fiscal year of the City pursuant to the City University Construction Fund Act* ........................................ $ 27,876

(b) New York City Housing Development Corporation ("HDC").

Amounts required to restore the HDC capital reserve fund to the amount required in such fund would be a claim against Per Capita Aid if not otherwise paid. 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 $19.9 million. HDC has outstanding $37.7 million in bond anticipation notes which HDC expects to fund with the issuance of bonds. The funding of such notes 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 therefor. The Emergency Act also permits a maximum claim of the lesser of $85 million or an amount equal to the maximum annual debt service on bonds issued by HDC in an aggregate principal amount of $800 million ................ $ 19,900

(c) New York City Transit Authority ("NYCTA").

(i) Pursuant to Section 2 of Chapter 7 of the 1972 Laws of the State the City was required to pay an aggregate $51 million in equal annual installments for the ten years commencing December 31, 1972 to the NYCTA to enable the NYCTA to pay certain notes issued in anticipation of the receipt of revenues by the NYCTA. $15.3 million in aggregate principal amount of such notes, bearing interest at the rate of eight percent (8%) a year, were outstanding. 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 ................ $ 6,324

(ii) 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 million 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 $20.0 million remains outstanding .................. $ 20,000

(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 $ 74,600

Amount of Per Capita Aid for the Corporation’s 1978 Fiscal Year, Net of Potential Claims and Liabilities ...................................... $ 359,724
* Although the Emergency Act purports to limit claims on the Per Capita Aid as noted in (a) 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 to finance CUCF facilities are accelerated pursuant to the occurrence of an event of default under the related Dormitory Authority bond resolutions. In such event, all such outstanding bonds of the Dormitory Authority could be due and payable and could, to the extent of fifty per cent of such principal amount, have a prior claim on the Per Capita Aid. The Dormitory Authority has outstanding $627.6 million in such bonds and anticipates, as shown in item (a) above, that an additional approximately $30 million of such bonds will be issued shortly.

The potential claims and liabilities related to the NYCTA noted in (c) above will be reduced in each fiscal year through the fiscal year ending June 30, 1983 and as a result the amount of Per Capita Aid subject to such prior claims will decrease. Assuming that State appropriations of Per Capita Aid remain constant at $434 million and no additional obligations having a claim on the Per Capita Aid are issued by HDC or to finance CUCF facilities (including the proposed issuances referred to above), the adjusted Per Capita Aid ("Adjusted Per Capita Aid") available to the Corporation would be as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Adjusted Per Capita Aid (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$359,724</td>
</tr>
<tr>
<td>1980</td>
<td>380,132</td>
</tr>
<tr>
<td>1981</td>
<td>380,540</td>
</tr>
<tr>
<td>1982</td>
<td>380,948</td>
</tr>
<tr>
<td>1983 and thereafter</td>
<td>386,456</td>
</tr>
</tbody>
</table>

**Aggregate Sales and Stock Transfer Taxes**

Assuming that the Sales Tax and Stock Transfer Tax collections (after deduction of costs of administration, collection and distribution) in each fiscal year remain at the levels for the 12 months ended September 30, 1978, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax" and "Stock Transfer Tax", and operating expenses of the Corporation remain at $5.5 million (the estimate for the current fiscal year), the aggregate annual amount which would be available from the Sales Tax and the Stock Transfer Tax, if needed (the "Aggregate Sales and Stock Transfer Taxes"), to pay debt service of the Corporation is shown below:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections for the 12 months ended September 30, 1978</td>
</tr>
<tr>
<td>Stock Transfer Tax collection for the 12 months ended September 30, 1978</td>
</tr>
<tr>
<td>Sub-total</td>
</tr>
<tr>
<td>Less: Operating expenses of Corporation</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
</tr>
</tbody>
</table>

(a) Exclusive of $64.958 million attributable to the 2.5% surcharge, discussed in "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Stock Transfer Tax."

**Debt Service Requirements and Estimated Coverage Ratios**

As shown above, the Adjusted Per Capita Aid ranges from approximately $359.7 million for 1979 to approximately $386.5 million for 1983. As is also shown above, Aggregate Sales and Stock Transfer Taxes are approximately $1.26 billion.
The following table shows the aggregate annual debt service payment requirements on the First Resolution Bonds, which have a prior claim to that of the Second Resolution Bonds on the Sales and Stock Transfer Taxes. The 1978 Series 10 Resolution and certain other resolutions include a covenant by the Corporation that it will not issue any Bonds, Notes or Other Obligations under the First General Bond Resolution if the aggregate annual debt service in any fiscal year on all obligations issued and outstanding under the First General Bond Resolution would exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes).

In addition, the table shows the annual principal payments, interest payments and the aggregate debt service payment requirements on all outstanding Second Resolution Bonds after giving effect to the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The table also shows the coverage of aggregate annual debt service on Second Resolution Bonds by:

(i) Adjusted Per Capita Aid, after deducting therefrom the $5.5 million estimated operating expenses of the Corporation for the current fiscal year, and by

(ii) all revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) after deducting from such revenues the aggregate annual debt service requirements with respect to the First Resolution Bonds and operating expenses.

There is no assurance, however, that Adjusted Per Capita Aid, Aggregate Sales and Stock Transfer Taxes or operating expenses will in fact remain at the levels referred to above in subsequent years. Furthermore, the Corporation reserves the right to issue additional obligations pursuant to the First and Second General Bond Resolutions within the limitations contained in such Resolutions, the 1978 Series 10 Resolution and the Financing Agreement.
### Debt Service Payment Requirements and Estimated Coverage Ratios

(after issuance of 1978 Series 10 Bonds and 1978 Private Series Bonds)

<table>
<thead>
<tr>
<th>12-Month Period Ended June 30</th>
<th>Total Debt Service Payment Requirements on First Resolution Bonds</th>
<th>Debt Service Payment Requirements on Second Resolution Bonds</th>
<th>Estimated Coverage Ratios on Second Resolution Bonds by(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
<td>Principal Payments(a)</td>
<td>Interest Payments*</td>
</tr>
<tr>
<td>1979</td>
<td>$303,444</td>
<td>$33,745</td>
<td>$161,229</td>
</tr>
<tr>
<td>1980</td>
<td>321,869</td>
<td>36,555</td>
<td>208,906</td>
</tr>
<tr>
<td>1981</td>
<td>307,624</td>
<td>65,645</td>
<td>198,025</td>
</tr>
<tr>
<td>1982</td>
<td>298,542</td>
<td>70,150</td>
<td>192,726</td>
</tr>
<tr>
<td>1983</td>
<td>376,587</td>
<td>85,815</td>
<td>186,627</td>
</tr>
<tr>
<td>1984</td>
<td>376,125</td>
<td>116,485</td>
<td>178,455</td>
</tr>
<tr>
<td>1985</td>
<td>329,351</td>
<td>126,380</td>
<td>168,420</td>
</tr>
<tr>
<td>1987</td>
<td>371,200</td>
<td>168,055</td>
<td>143,906</td>
</tr>
<tr>
<td>1988</td>
<td>373,315</td>
<td>183,475</td>
<td>129,571</td>
</tr>
<tr>
<td>1989</td>
<td>377,251</td>
<td>208,250</td>
<td>113,752</td>
</tr>
<tr>
<td>1990</td>
<td>375,083</td>
<td>220,120</td>
<td>96,415</td>
</tr>
<tr>
<td>1991</td>
<td>373,165</td>
<td>234,020</td>
<td>77,995</td>
</tr>
<tr>
<td>1992</td>
<td>373,155</td>
<td>252,585</td>
<td>58,231</td>
</tr>
<tr>
<td>1993</td>
<td>365,531</td>
<td>281,590</td>
<td>36,614</td>
</tr>
<tr>
<td>1994</td>
<td>365,471</td>
<td>42,970</td>
<td>23,479</td>
</tr>
<tr>
<td>1995</td>
<td>356,763</td>
<td>52,840</td>
<td>19,508</td>
</tr>
<tr>
<td>1996</td>
<td>62,810</td>
<td>14,701</td>
<td>77,511</td>
</tr>
<tr>
<td>1997</td>
<td>5,885</td>
<td>11,842</td>
<td>17,727</td>
</tr>
<tr>
<td>1998</td>
<td>5,785</td>
<td>11,356</td>
<td>17,141</td>
</tr>
<tr>
<td>1999</td>
<td>5,885</td>
<td>10,870</td>
<td>16,755</td>
</tr>
<tr>
<td>2000</td>
<td>8,275</td>
<td>10,273</td>
<td>18,548</td>
</tr>
<tr>
<td>2001</td>
<td>9,010</td>
<td>9,539</td>
<td>18,549</td>
</tr>
<tr>
<td>2002</td>
<td>9,810</td>
<td>8,739</td>
<td>18,549</td>
</tr>
<tr>
<td>2003</td>
<td>10,680</td>
<td>7,868</td>
<td>18,548</td>
</tr>
<tr>
<td>2004</td>
<td>11,630</td>
<td>6,920</td>
<td>18,550</td>
</tr>
<tr>
<td>2005</td>
<td>12,660</td>
<td>5,888</td>
<td>18,548</td>
</tr>
<tr>
<td>2006</td>
<td>13,785</td>
<td>4,764</td>
<td>18,549</td>
</tr>
<tr>
<td>2007</td>
<td>15,010</td>
<td>3,540</td>
<td>18,550</td>
</tr>
<tr>
<td>2008</td>
<td>16,345</td>
<td>2,207</td>
<td>18,552</td>
</tr>
<tr>
<td>2009</td>
<td>17,795</td>
<td>756</td>
<td>18,551</td>
</tr>
</tbody>
</table>

(a) Includes Sinking Fund Installments.

(b) Coverage ratios for the years 1997 to 2009 are not shown because of the relatively small amount of debt service in such years compared to the amount of revenues.

* Interest payments and coverage ratios estimated solely for the purposes of this calculation in this preliminary Official Statement assume: (1) that interest rates on the 1978 Private Series Bonds will be 8 3/4 %, see the footnote on page 3, and (2) that interest rates on the 1978 Series 10 Bonds will be 8 1/2 %. 

27
All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on the First and Second Resolution Bonds, shown in the table above for the years 1979-1995, from 3.83 times in 1995 to 2.35 times in 1989 and such coverages average approximately 2.66 times.

The Corporation anticipates that additional First and Second Resolution Bonds in the aggregate amount of approximately $2.3 billion will be issued over the next four years pursuant to the Debt Issuance Plan (after the issuance of the 1978 Series 10 and the 1978 Private Series Bonds), and that such issuances can be made within the coverage tests required to be applied under the Second General Bond Resolution, the 1978 Series 10 Resolution and certain other resolutions of the Corporation, see "PART 7—BONDS BEING OFFERED—Additional Bonds", on the basis of the assumptions described in this PART 6 and reflected in the above coverage table. The Corporation estimates that if such principal amount of bonds is issued, the total annual debt service on Second Resolution Bonds will increase to approximately $500 million in the late 1980's and early 1990's, assuming for purposes of this calculation that such bonds are issued at rates comparable to current market rates.

In addition to the aggregate debt service payments with respect to the First Resolution Bonds shown in the above table, the Corporation is required to make deposits into the Capital Reserve Fund established pursuant to the First General Bond Resolution. The required deposit into the Capital Reserve Fund for calendar 1979 will have been provided from the proceeds of the 1978 Private Series Bonds. The deposit for the 1980 calendar year is estimated by the Corporation to be approximately $ million. The Corporation at present intends to provide for such deposit from the proceeds of the sale of additional bonds.

PART 7—BONDS BEING OFFERED

Description of the Bonds

General

The 1978 Series 10 Bonds will be issued pursuant to the Second General Bond Resolution and the 1978 Series 10 Resolution. The 1978 Series 10 Bonds will be dated November 15, 1978 and will mature on July 1, 2008.

The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon bonds and fully registered bonds will be interchangeable. The 1978 Series 10 Bonds will be registrable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the 1978 Series 10 Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new 1978 Series 10 Bond issued upon such exchange or transfer and any other expenses of the Corporation or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) will be paid by the Corporation as operating expenses.

Pursuant to the Act, the 1978 Series 10 Bonds include the 1978 State Covenant to the effect that the State will not take certain actions, including any action that will substantially impair the authority of the Control Board to act in specified respects with regard to the City. See "PART 12—AGREEMENT OF THE STATE OF NEW YORK."
Optional Redemption

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot (by maturity as selected by the Corporation and by lot within a maturity, provided, however, that 1978 Series 10 Bonds redeemed in part pursuant to a refunding shall be redeemed so that the highest interest rates shall be first redeemed) on any interest payment date or dates, at the following redemption prices (expressed as percentages of the principal amount), plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 19</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
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</tr>
<tr>
<td>July 1, 19 to June 30, 19</td>
<td></td>
</tr>
<tr>
<td>July 1, 19 and thereafter</td>
<td></td>
</tr>
</tbody>
</table>

Sinking Fund Redemption

The 1978 Series 10 Bonds are also subject to redemption, in part by lot, 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 year, the principal amount of such 1978 Series 10 Bonds specified for each of the years shown below:

<table>
<thead>
<tr>
<th>Sinking Fund Installments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars in thousands)</td>
</tr>
<tr>
<td>Calendar Year</td>
</tr>
<tr>
<td>1999</td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>2001</td>
</tr>
<tr>
<td>2002</td>
</tr>
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<td>2003</td>
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<td>2004</td>
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<tr>
<td>2005</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>2007</td>
</tr>
<tr>
<td>2008</td>
</tr>
</tbody>
</table>

* Payment at maturity.

Giving effect to the Sinking Fund redemptions set forth above, the average life of the 1978 Series 10 Bonds would be approximately 25 3/4 years calculated from November 15, 1978.

The Corporation may from time to time direct the Trustee to purchase with moneys in the Corporation's Bond Service Fund, 1978 Series 10 Bonds at or below par plus unpaid interest accrued to the date of such purchase, and apply any 1978 Series 10 Bonds so purchased as a credit, at par, against and in fulfillment of a required Sinking Fund Installment on such 1978 Series 10 Bonds. See "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Bond Service Fund." To the extent the Corporation fulfills its sinking fund obligations in a particular year through such purchases, the likelihood of redemption by lot of any bondholder's 1978 Series 10 Bonds through the operation of the sinking fund will be reduced for such year. The Corporation has in the past made such purchases with respect to certain series of its Second Resolution Bonds and may in the future do so with respect to the 1978 Series 10 Bonds.
Trustee

United States Trust Company of New York is the Trustee under the Second General Bond Resolution. Its corporate trust office is located at 130 John Street, New York, New York 10038. For further information concerning the Trustee, see "PART 16—TRUSTEE."

Additional Bonds and Notes

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City’s seasonal borrowing requirements), which amount was increased in June 1978 by the State Legislature from $5.8 billion. After the issuance of the 1978 Series 10 Bonds and the issuance of the 1978 Private Series Bonds pursuant to the Financing Agreement, the Corporation will have outstanding an aggregate $5.632 billion (exclusive of bonds that have been refunded), see "PART 3—OUTSTANDING DEBT OF THE CORPORATION."

Additional bonds may be issued under the Second General Bond Resolution on a parity with the 1978 Series 10 Bonds, provided that (a) the amount equal to the lesser of (i) the most recent collections of the Sales Tax and Stock Transfer Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amounts estimated to be collectible during the succeeding 12-month period from such sources as estimated by the State Commissioner of Taxation and Finance, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore 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 (c) 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 (d) estimated operating expenses of the Corporation for its then current fiscal year, is at least 2 times (e) the aggregate amount of the principal, including Sinking Fund Installments, and interest maturing or otherwise becoming due in the then current or any future fiscal year on all Second Resolution Bonds (including the particular series of such additional bonds then proposed to be issued). Although the Second General Bond Resolution provides for a 1.2 times coverage test on the basis described above, the 1978 Series 10 Resolution and certain other resolutions of the Corporation provide for a 2 times coverage test for such Bonds on such basis.

For so long as any 1978 Series 10 Bonds or certain other bonds of the Corporation remain outstanding, the Corporation may issue additional obligations under the First General Bond Resolution only to the extent that the issuance thereof would not cause the aggregate amount of interest and principal (including Sinking Fund Installments due thereon), maturing or otherwise coming due in any fiscal year of the Corporation on outstanding First Resolution Bonds and Notes and the interest on all Other Obligations (each such term as defined in the First General Bond Resolution) coming due in any fiscal year to equal or exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes that the Corporation may offer to the public under the First General Bond Resolution). In addition, the Corporation may issue additional First Resolution Bonds, Notes or Other Obligations under the First General Bond Resolution only if the following conditions imposed by such Resolution are met:

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

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation’s bonds and notes outstanding at any one time under the First and Second General Bond Resolutions shall not exceed $8.8 billion. The Corporation has further agreed not to issue bonds other than pursuant to the First or Second General Bond Resolutions unless (i) the proceeds are used to purchase bonds of the City which have an investment grade rating and (ii) the City’s operating budget for the fiscal year prior to the year of issuance shall have been balanced in accordance with GAAP. At June 30, 1982, when the Corporation’s statutory authority to issue obligations, other than refunding obligations, expires, assuming the completion of all issuances of the Corporation’s Bonds contemplated by the Debt Issuance Plan (other than in lieu of the public issuance of unguaranteed City bonds) the Corporation would have outstanding approximately $6.9 billion of bonds. The Act currently prohibits the Corporation from issuing bonds (except for refunding bonds) other than pursuant to the First and Second General Bond Resolutions. The Corporation has also agreed with the purchasers of the 1978 Private Series Bonds, that while the Financing Agreement is in effect, and unless such provision is waived or amended, it will not issue, renew, or refund short-term notes unless payment of principal and interest on such notes is subordinated to payments required to be made under the First and Second General Bond Resolutions. The Corporation has agreed not to issue short-term notes or Second Resolution Bonds unless such notes and bonds are protected by a two-times coverage test applicable to the maximum annual debt service on such notes and bonds. The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its bonds may be limited, as described in “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement.” These covenants of the Corporation contained in the Financing Agreement may be waived by, or modified with the consent of, Financial Institutions and City Pension Funds holding specified percentages of bonds purchased by them pursuant to the Financing Agreements. Furthermore, the covenants are of no further force and effect after neither the Financial Institutions nor the City Pension Funds any longer hold at least 10% of such bonds purchased by them.

The Second General Bond Resolution contains further limitations upon the issuance by the Corporation of additional obligations under the First General Bond Resolution, see “PART 14—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION.”

Under the Act and the Second General Bond Resolution, collections attributable to the now expired surcharge on the Stock Transfer Tax may be includable in determining the amount of additional Second Resolution Bonds which may be issued pursuant to Section 202 of the Second General Bond Resolution. The Corporation has no intention of including in the calculations of debt service coverage, for the purposes of the issuance test described in paragraphs 1 and 2 above, any tax collections (including the 25% surcharge on the Stock Transfer Tax) attributable to any periods after the date on which such taxes are scheduled to expire pursuant to legislation in effect at the time of such calculation.

PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although the 1978 Series 10 Bonds are not obligations of the State, financial developments with respect to the State may affect the market or market prices for and sources of payment of the 1978
Series 10 Bonds. As described under "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS", the revenues of the Corporation that are pledged to payment of debt service on the Second Resolution Bonds derive from Per Capita Aid and in certain circumstances the Sales Tax and the Stock Transfer Tax. The payment of these revenues to the Corporation is subject to appropriation by the State Legislature. The State Legislature has made appropriations to the Corporation for each of the State's fiscal years since 1976, including appropriations for the State's current fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. It is possible that the willingness of the State Legislature to make such appropriations may in the future be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City. Such willingness might also be adversely affected if the Secretary of the Treasury of the United States of America (the "Secretary") withheld payments to the State as an offset against any claim the Secretary might have against the City or State pursuant to the Federal Guarantee Act. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act."

The factors affecting the State's financial condition are complex, and the following description constitutes only a brief summary. This PART 8 is based entirely on information supplied by the State.

Long-Term Trends

The State and the City face serious potential long-term economic problems. The City accounts for approximately 40% of the State's population and personal income, and the City's financial health affects the State in numerous ways.

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

Certain manufacturing facilities have recently relocated to other states. This trend has been partially offset by the location of some new manufacturing facilities in the State and by the expansion of existing facilities in the State. Some corporate headquarters have also moved from New York City to locations outside the State.

Part of the reason for the long-term relative decline in the State economy has been attributed to the combined State and local tax burden, which is the highest in the 48 contiguous States. The existence of this tax burden limits the State's ability to impose higher taxes in the event of future financial difficulties.

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

The growing burdens of State and local taxation, in combination with the many other causes of regional economic dislocation, may have contributed to the decisions of businesses and individuals to relocate outside, or not locate within the State. In order to bring about a reversal of these trends, the State has begun a series of tax reductions and other programs that are intended both to limit expansion in the public sector and encourage expansion in the private sector. No immediate reversal of the erosion of the State's economic position relative to the nation as a whole has been projected, but the State anticipates that actions taken thus far will help to reverse or at least slow this trend over time.

Financial Difficulties of Fiscal Years 1975 and 1976

During the last several years, some of the State's public benefit corporations ("Authorities") and municipalities (in particular, the City) have faced extraordinary financial difficulties, which have
affected the State's own financial condition. These events, which included a default, since cured, on short-
term notes issued by the Urban Development Corporation ("UDC") and a continuation of the financial
difficulties of the City, created substantial investor resistance to securities issued by the State and by some
of its municipalities and Authorities. For a time, in late 1975 and early 1976, these difficulties resulted
in a virtual closing of public markets for State and many State-related securities.

The State's fiscal year ending March 31, 1976 showed a deficit of $447 million, which was
financed by transferring $65 million from reserve funds and by issuing $382 million of tax anticipation
notes which were paid early in the State's succeeding fiscal year.

Events During Fiscal Years 1977 and 1978

In response to the financial problems confronting it, the State developed and implemented programs
for its fiscal year ended March 31, 1977 that included (i) the adoption of a balanced budget for the fiscal
year (a deficit of $92 million that actually resulted was financed by issuing notes that were paid on June
14, 1977), (ii) a borrowing plan that provided for the State's estimated borrowing needs of $4.53 billion
for its 1977 fiscal year, (iii) a plan (the "Authority Build-Out Plan") to meet the borrowing require-
ments through September 30, 1978 of four financially troubled Authorities (the “Build-Out Authori-
ties”) and (iv) provisions for appropriations to certain Authorities as part of a program to complete
projects under construction and that avoided defaults on outstanding obligations. In addition, legislation
was enacted limiting the incurrence of additional so-called "moral obligation” and certain other Authority
debt, which limitation does not, however, apply to debt of the Corporation.

The fiscal year ended March 31, 1978 saw an improvement in the financial condition of the State,
its Authorities and municipalities generally, although certain municipalities (including the City) and
certain Authorities continued to face financial difficulties. The State adopted and adhered to a balanced
budget. Actual receipts were $11.181 billion and actual expenditures were $11.177 billion. The State
also adopted and implemented a $4.96 billion borrowing plan. Nearly all of the capital financing and all
of the seasonal financing were made through sales to the public at interest rates substantially lower than
those that applied in the preceding fiscal year.

The State continued to provide substantial financial and budgetary assistance to the City and
other localities during its 1978 fiscal year. The State again advanced $800 million in local assistance
payments to the City, increased the level of State support for the City University of New York, assumed
a greater share of county and city court costs, and provided additional financial assistance to counties
outside the City and to the State's five largest cities other than New York City to alleviate local tax
burdens.

Potential Problems In Current And Subsequent Fiscal Years

Program For The 1979 Fiscal Year

As revised on October 5, 1978, the State Financial Plan for its fiscal year ending March 31, 1979,
provides for receipts which exceed expenditures, with receipts of $12.436 billion and expenditures
of $11.825 billion. Projected State receipts are approximately $400 million higher now than previ-
ously projected in the State Financial Plan of April 4, 1978 because (i) greater than anticipated
improvements in the State economy are expected to generate approximately $150 million in addition-
all receipts and (ii) actual timing and method of implementation of the personal income tax
reduction program differed somewhat from the assumptions used originally and such differences are
expected to result in approximately $250 million of additional receipts. The State expects to pay as
much as possible of the $600 million difference between receipts and expenditures as personal income tax
refunds on 1978 income year returns during the final quarter of its fiscal year.

The State Financial Plan for the 1979 fiscal year assumes a continuation of the modest recovery
experienced by the State's economy in the State's 1978 fiscal year but does not assume a reversal during
the State's 1979 fiscal year of the erosion in recent years of the State's economic position relative to the
national economy. Although the use of certain non-recurring receipts and the virtual exhaustion of
reserve funds to cover deficits in prior fiscal years have diminished the State's financial options in the event receipts are less, or expenditures are more, than those projected in the State Financial Plans, the State has informed the Corporation that the excess of receipts over expenditures presently forecast for the State's 1979 fiscal year, to the extent not used to pay personal income tax refunds, would appear sufficient to meet any reasonably foreseeable adverse contingency.

The State originally provided for implementation of a $4.24 billion borrowing plan for the fiscal year ending March 31, 1979. It is now anticipated that actual requirements will be approximately $80 million less, reflecting a decline in capital expenditures. The State also provided for adoption of a new borrowing plan for the Build-Out Authorities ("Build-Out Plan II") which was implemented when the Authority Build-Out Plan expired on September 30, 1978. Under Build-Out Plan II, $1.2 billion of financing, primarily short-term, is to be provided to the Build-Out Authorities to meet their financing requirements through September 30, 1980. As of October 2, 1978, the State estimated that approximately $616 million of financing would be required for the Build-Out Authorities prior to March 31, 1979. Approximately $495 million of such amount represents bond anticipation notes of the Build-Out Authorities for which commitments have been received from private and State related sources. The remaining $121 million is expected to be provided by the sale of bonds or bond anticipation notes of Build-Out Authorities to State related sources or to other buyers through public or private sales. A substantial portion of the financing for certain programs provided under Build-Out Plan II may, as currently contemplated, be represented by bond anticipation notes when Build-Out Plan II ends on September 30, 1980. If the Build-Out Authorities are then unable to renew such bond anticipation notes or sell bonds in the public market, other actions will be necessary to meet payments for maturing notes and construction payments.

The State has informed the Corporation that neither the State nor any Authority having the benefit of a "moral obligation" provision is in default in the payment of the principal of or interest on any bond, note or other evidence of indebtedness constituting a general obligation of the State or such Authority.

Problems of Authorities

The fiscal stability of the State is related, at least in part, to the fiscal stability of the Authorities. Various Authorities have issued bonds secured, in part, by statutory provisions for non-binding State appropriations to maintain various debt service reserve funds established for such bonds (commonly referred to as the "moral obligation" provision). Several Authorities, including some of those that have reentered the public securities market, still face potentially serious problems, particularly in their housing programs.

Among the more important problems of the Authorities are those related to Co-op City, a tenant cooperative on which an Authority, the New York State Housing Finance Agency ("HFA"), holds a $390 million mortgage financed under its non-profit housing program. Co-op City has faced financial difficulties for over three years growing out of a tenants' rent strike in opposition to higher rents. The financial condition of Co-op City, and, therefore, the financial condition of the non-profit housing program of HFA, remain uncertain at this date.

An agreement, which runs from August 1, 1977, through October 31, 1979, provides for increases in rent and co-operators' equity investments, discontinuance of a foreclosure action against the co-operators, resumption of mortgage payments to HFA (other than the June 1977 payment which is not addressed by the agreement), introduction by the Governor of legislation for a comprehensive program for certain state-aided housing (which legislation has not been enacted), and other matters.

In September and October 1978, Co-op City failed to make payments of $679,000 and $554,000, respectively, of the approximately $2.3 million monthly mortgage payment due to the HFA in each of those months. In November 1978, Jamie Towers, another non-profit housing project on which the HFA holds a $12.3 million mortgage, failed to pay $174,000 of a $428,000 semi-annual mortgage payment then due. The HFA is presently considering procedures for the collection of such mortgage arrearages. On November 1, 1978, as a result of such mortgage repayment arrearages and arrearages arising out of
the 1977 Co-op City agreement and a June 1977 mortgage payment not addressed by the 1977 agreement. HFA made a withdrawal from its non-profit housing debt service reserve funds in the amount of $4.6 million to pay required debt service. To the extent that moneys received from tenants and other sources are insufficient to cover such withdrawal or further withdrawals that may be made from the non-profit housing debt service reserve funds to pay required debt service, the State will be called upon to make appropriations, possibly substantial in amount, pursuant to the statute authorizing the HFA bonds (i.e., the “moral obligation” provision). The State Financial Plan contains provision for an amount sufficient to reimburse the non-profit housing debt service reserve fund for the recent withdrawals.

Co-op City is also the subject of various litigations. New York City has instituted a foreclosure action to collect real property taxes in arrears, which the City alleges aggregate $23 million and for which no provision for payment has been made in the current agreement. A number of Co-op City residents have commenced an action challenging the legality of the increased cooperators’ equity investment that is part of the agreement. HFA and others are also involved in litigation in which certain residents and former residents of Co-op City allege fraud, breach of fiduciary duty and other violations of law regarding their contractual relations with the mortgagor under the Co-op City mortgage and seek various remedies, including damages of $233 million. The tenant-owned corporation that manages Co-op City has brought a cross-claim against HFA and others seeking $200 million in damages on the allegation that inadequate supervision of construction by State agencies will result in the need for remedial construction. HFA and the State Division of Community Housing and Renewal have entered a denial of the allegations in such cross-claim.

An engineering study was commissioned by the State to determine the nature, extent and cause of certain site conditions at Co-op City. The study was released on June 16, 1978 and the Co-op City tenants estimated that $55 million to $75 million would be needed to remedy certain defects. The State and HFA are currently reviewing the study.

The State cannot at this time determine the effect these factors may have on the agreement with Co-op City tenants or the extent to which that agreement may be carried out, nor can it determine the ultimate effect that the Co-op City settlement arrangements may have on other similar housing programs or on the ability to meet debt service payments on obligations issued to finance such housing programs.

In 1975, UDC, a major Authority, defaulted on certain of its short term notes, which default was cured as a result of various actions by the State and others. The State projects a continuing requirement to provide assistance to UDC. Based on current projections, UDC will require State appropriations totalling $170 million through the State’s 1988 fiscal year (ranging from a low of $9 million in 1979 to a high of $25 million in 1984), to meet its requirements. Failure to make such appropriations would result in a default on $1.1 billion of UDC obligations. A default by UDC could interrupt the flow of Federal revenues and other income needed to operate projects originally built by UDC and now securing the obligations of the New York State Project Finance Agency (“PFA”), another Authority, and could lead to a default by PFA. Federal subsidy payments provide a substantial portion of the money needed for debt service on these obligations, and failure to meet certain Federal requirements could jeopardize these subsidies.

The Battery Park City Authority ("BPCA") has issued $200 million of “moral obligation” project bonds for the development of the landfill and infrastructure for a residential and commercial project in New York City. BPCA, as of April 30, 1978, had spent approximately $76.8 million of that amount on site acquisition, preparation and administration and, as of May 1, 1978, had paid an additional $73.7 million of that amount in debt service on outstanding bonds. The proceeds from such bond sale together with income derived from the investment of such proceeds, if not expended on construction, are estimated to be sufficient to meet administration costs and debt service on BPCA bonds only until 1984, at which time $192 million of BPCA bonds will still be outstanding. Although financing has not yet been obtained for construction of revenue producing facilities that would enable BPCA to meet its obligations on the bonds, BPCA anticipates the issuance of $80 million of housing bonds secured in part by a mortgage insured by HUD in an amount up to $68.5 million, which bonds would not be backed by the “moral
obligation" of the State. The proceeds from the bond offering would be used to develop part of the residential portion of the overall project. Even if such financing is obtained and the anticipated development is successful, BPCA will require the development of additional revenue producing facilities, costing in excess of an estimated $1 billion, to enable it to meet its obligations on the project bonds originally issued. If sufficient additional revenue producing facilities are not developed, it is likely that the State will be requested to make payments on the project bonds pursuant to the "moral obligation" provisions of the legislation governing the issuance of BPCA bonds.

Among other problems generally faced by Authorities, future increases in operating costs and interest rates may result in a need for increased rents, fees or user charges in Authority-financed projects, particularly residential housing projects and medical care facilities. Inability or unwillingness to pass increased costs on to residents or users of such projects would adversely affect the fiscal stability of the Authorities, and possibly cause the State to be requested to make appropriations to support such projects. There is no assurance, however, that the Legislature would make such appropriations.

Litigation

Various litigations are pending that may, if decided adversely to the State or the localities involved, adversely affect the State. Among the more significant of these litigations are those that challenge: (i) the constitutionality of an agreement among the State, the County of Albany and the City of Albany for construction and financing by the County for long-term lease to the State of the Empire State Plaza in Albany, and by extension any similar arrangements to which the State is a party (as of September 30, 1978, obligations incurred for construction of facilities to be leased to the State by various public authorities and municipalities were outstanding in an aggregate of approximately $796 million for such municipalities and approximately $3,124 million for such authorities); (ii) the validity of approximately $74 million of State bond anticipation notes, issued in March 1976 to reimburse the State's General Fund for capital expenditures in prior fiscal years, of which amount approximately $53 million were issued for back-bonding purposes, and by extension the validity of an additional approximately $58 million in such debt issued during the 1977 fiscal year which would also be affected by the outcome of the litigation; (iii) the constitutionality of the present system of levying taxes and applying funds for public school purposes; (iv) the authority of the Director of the Budget to withhold or impound local assistance funds to control or avoid deficits; (v) the validity and fairness of agreements and treaties by which the Oneida Indians transferred title to the State to approximately six million acres of land in central New York; (vi) the adequacy of supervision by certain State agencies over the construction of Co-op City, which failure will allegedly result in the expenditure of large sums of money for remedial construction and has resulted in claims of $200 million in damages by the tenant-owned corporation that manages Co-op City; (vii) the State's conduct in suppressing the 1971 Attica uprising; (viii) the valuation of a major utility company's franchises in 43 municipalities and the taxes based on such valuations; (ix) the fulfillment by the State of various obligations arising out of contracts entered into by the State's Department of Transportation; (x) the collection of unemployment insurance taxes under a State statute permitting the payment of unemployment insurance during strikes; and (xi) the methods and rates the State uses to make reimbursement for Medicaid services.

The present system of levying taxes and applying funds for public school purposes was ruled unconstitutional by the State Supreme Court (a trial court) in June 1978. The Legislature was afforded the opportunity to develop alternative financing plans. Pending development of such plans, the current system would be permitted to continue unless specifically enjoined. The State has announced that it intends to appeal the decision. It is extremely unlikely that there will be an effect on the State's tax structure, budget or economy during the 1979 fiscal year and the decision is unlikely to have a direct impact during the following year. However, unless the effects of the decision are modified by legislation, the decision would entail substantial additional State expenditure sometime in the future, which could affect the State tax structure, its budget and, possibly, its economy.

In the Spring of 1978, the State Court of Appeals (the State's highest court) held unconstitutional State legislation that authorized certain cities and city school districts with fewer than 125,000 persons
to, in effect, impose a special increase of real property tax rates in order to raise funds for pension contributions and for certain other uses, and also held unconstitutional a state tax on real property in such cities and school districts to be imposed in the event the Court of Appeals held unconstitutional the provision authorizing such increased local real property tax rates. Over $100 million annually was collected pursuant to rates in excess of the State constitutional limits in reliance on this legislation. Replacement of lost revenues has been provided in part through an increase in the assessed valuation of the real property in the affected localities. In addition, State loans aggregating up to $52 million have been authorized for certain school districts. These measures are expected to enable the affected cities and school districts to balance their budgets for their current fiscal years.

In May, 1978, the State Court of Appeals affirmed a decision requiring the State to include as local expenses eligible for partial State reimbursement certain fringe benefit costs incurred for certain health programs by Erie County during the third quarter of 1975. If the opinion were extended to include expenses of all counties retroactive to such quarters, the total State liability would approximate $50 million. The Supplemental Budget permits the State to deduct from any current aid payments to any county an amount equivalent to the amount paid to such county for such fringe benefit costs.

PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY

Although bonds of the Corporation are not obligations of the City, financial developments with respect to the City may affect the market or market prices for the Second Resolution Bonds, including the 1978 Series 10 Bonds. The Corporation believes that its ability to repay the Second Resolution Bonds is not dependent upon the financial condition of the City. However, economic and demographic conditions in the City may affect the levels of Sales Tax receipts and Per Capita Aid, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax” and “Per Capita Aid”. During the time the Bonds are outstanding, the City will be the subject of reviews and reports by various agencies of Federal and State Government, see “PART 11—VARIOUS CONTROL PROGRAMS”, and will publish annual audited financial statements.

This section describes the City’s Four Year Financial Plan, the cash sources the City has identified to cover its cash needs through its 1982 fiscal year, major assumptions and uncertainties with respect to these matters, and some of the financial difficulties the City is expected to face during the Four Year Financial Plan period and subsequently.

As required by the Act, the City has submitted and the Control Board has approved a financial plan for the 1979 fiscal year (as modified and approved, the “1979 Financial Plan”) in which it projects total revenues to equal or exceed total expenditures, after the adjustments permitted by the Act, as described below. The City has also prepared financial plans for the 1980-1982 fiscal years (together with the 1979 Financial Plan, as approved by the Control Board, the “Four Year Financial Plan”). These projections show potential operating budget deficits or budget gaps that the City proposes to close through a combination of Federal, State and City actions, many of which involve the passage of new legislation or adoption of new programs. There can be no assurance that projections of budget gaps will not increase or that such legislation and programs, or others which provide a comparable degree of assistance, will be enacted and adopted.

To meet the long-term and seasonal financing needs of the City during the period of the Four Year Financial Plan, the Debt Issuance Plan has been developed under which the Financial Institutions, City Pension Funds and State Pension Funds have agreed to make certain purchases of bonds of the Corporation and bonds and notes of the City. The Corporation and the City also plan to offer certain bonds and notes in the public markets. The Debt Issuance Plan is subject to a substantial number of conditions, among which are requirements that the City close the projected budget gaps to meet budgetary and financial requirements contained in State and Federal law, including the Act, and in the Guarantee Agreement, the Financing Agreement, and the Seasonal Agreement. Failure to meet
any of these conditions could adversely affect implementation of the Debt Issuance Plan. See "PART 2—FOUR YEAR DEBT ISSUANCE PLAN" and "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

It is an objective of the Four Year Financial Plan and the Debt Issuance Plan to enable the City to meet its financing needs after the 1982 fiscal year without reliance on continued financing assistance from the Federal government. The City and the Corporation currently expect this objective to be achieved if all the goals and requirements of such plans are met. Should this objective not be met, there is no assurance that the State or Federal government would continue programs similar to those relied on in the past and relied on as part of the Four Year Financial Plan and the Debt Issuance Plan, or develop new programs to provide budgetary and financing assistance to the City. See "Expiration of Plan," in this PART 9.

The following description is only a brief summary of the complex factors affecting the City's financial condition. This section is based entirely on information reported to the Corporation by the City, the Control Board, the Special Deputy State Comptroller, presented in the Three Year and Four Year Financial Plans, or contained in other reports and statements referred to herein.

Financial Difficulties of 1975

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

In response to this crisis, the State in June 1975 created the Corporation (1) to issue long-term bonds and other obligations to provide funds to pay maturing City short-term notes and to meet certain operating expenses of the City, and (2) to monitor compliance with a series of financial reforms on the part of the City described under "PART 11—VARIOUS CONTROL PROGRAMS." In response to the City's continuing financial difficulties and upon recommendation of the Corporation, the State Legislature, in September 1975, adopted the Emergency Act, which created the Control Board. See "PART 11—VARIOUS CONTROL PROGRAMS." Among other State actions was an advance to the City at the end of the City's 1975 fiscal year of $800 million of State assistance moneys due the City in the succeeding fiscal year (an action repeated in each of the next three fiscal years).

Three Year Financial Plan: Fiscal Years 1976-1978

After it lost access to the public credit markets, the City took a number of steps which were intended to enable it to balance its budget, and to regain access to the public credit markets. As required by the Emergency Act, these included accounting reforms and development of a three-year financial plan (the "Three Year Financial Plan") to provide for a budget balanced in accordance with the Uniform System of Accounts for Municipalities, as modified for application to the City (the "Uniform System of Accounts, as adjusted") by the 1978 fiscal year. As permitted by the Act, the Uniform System of Accounts, as adjusted, contains two major deviations from GAAP. It permits accounting for contributions to employee retirement systems on a cash basis rather than on an accrual basis, and it authorizes including certain expense items in the City's capital budget in decreasing amounts during a phase-out period.

To provide short and long-term financing for the City, the City and the Federal government entered into an agreement (the "Federal Loan Agreement"), pursuant to Federal legislation, which provided the City with seasonal financing for three years, and the Corporation, the Commercial Banks and the City Pension Funds entered into an agreement to provide the City with long-term financing through June 30, 1978, through the sale of bonds of the City to the City Pension Funds, and through certain other
actions taken by the Commercial Banks and City Pension Funds. The Corporation also sold bonds in the public credit markets and paid the proceeds to the City, and exchanged certain of its bonds for outstanding short-term notes of the City. In addition, in November 1975, the State Legislature enacted the New York State Emergency Moratorium Act (the "Moratorium Act"), which suspended the rights of holders of short-term notes of the City to bring suit to enforce payment of such notes. In November 1976, the State Court of Appeals held the Moratorium Act unconstitutional. The $1.802 billion of short-term obligations affected by this decision were subsequently provided for, including $1.2 billion which were exchanged for Second Resolution Bonds.

To improve its accounting practices and to facilitate an audit of the City's financial statements, the City undertook the design and implementation of the integrated financial management system ("IFMS") to eliminate the fragmented set of systems and data processing facilities that had developed and to substitute in their place a single unified financial system. The City has reported that most elements of IFMS (including the recording of City expenditures and revenues) were implemented on June 30, 1977, are performing smoothly, and have provided the information necessary to perform the audit. Additional elements relating to payrolls and not necessary for the performance of the audit have been added to IFMS since June 30, 1977. It may be some time before these elements are operating in a satisfactory manner.

When the Three Year Financial Plan was first submitted to the Control Board for approval, it projected budget gaps in accordance with the Uniform System of Accounts, as adjusted, of approximately $1 billion, $600 million, and $700 million in the 1976, 1977, and 1978 fiscal years, respectively. To reduce the 1976 and 1977 gaps and close the 1978 gap the City took action to reduce the number of its employees, entered into labor contracts with its municipal labor unions consistent with the assumptions contained in the Three Year Financial Plan and with the wage guidelines adopted by the Control Board, increased the transit fare, and began charging general tuition at the City University of New York. In addition, the City received additional State and Federal revenues not projected in its initial Three Year Financial Plan submission. The results under the Three Year Financial Plan reported by the City Comptroller in accordance with the Uniform System of Accounts, as adjusted, were operating deficits of $968 million for the 1976 fiscal year and $329 million for the 1977 fiscal year. If the deficits in the City's operating budget were reported in accordance with GAAP, the City Comptroller has estimated that the effect would be to increase the reported deficits for the 1976 and 1977 fiscal years to approximately $1.870 billion and $1.039 billion, respectively.

The City's 1978 financial statements were audited by a consortium of accounting firms headed by Peat, Marwick, Mitchell & Co. The statements report results in accordance with the Uniform System of Accounts, as adjusted, as well as results reported in accordance with GAAP. Under the Uniform System of Accounts, as adjusted, the General Fund shows a surplus of $32 million; the General Fund deficit, when reported in accordance with GAAP, was $712 million.

The opinion of Peat, Marwick, Mitchell & Co. states that the City does not maintain complete records of its general fixed assets and that therefore a Statement of General Fixed Assets was not presented as required by GAAP. The opinion also states that the City's ability to obtain financing and balance its budget in accordance with GAAP within four years depends on assumptions and events which cannot be assured. The opinion also states that pending real estate tax certiorari proceedings, if decided adversely to the City, could have a substantial financial impact on the City for which no provision has been made. See "Litigation" in this PART 9. The opinion concluded that "subject to the effects, if any, on the financial statements of the ultimate resolution of the real estate tax issue" the financial statements present fairly the financial position and results of operations for the City's various funds in accordance with GAAP. A management letter, which may suggest changes in the City's reporting and accounting practices, is expected to be provided to the City at a later date.

The City planned to re-enter the public credit markets through an underwritten offering of its revenue anticipation notes in November 1977 to meet a portion of its seasonal financing needs. However, Moody's Investors Service Inc. gave the notes a Moody's Investment Grade ("MIG")-4 rating.
Loans bearing a MIG-4 rating are deemed by Moody's to be of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative. This rating was lower than anticipated, and the City, based on advice from its underwriters, cancelled the note offering and met all of its seasonal financial needs for the balance of the 1978 fiscal year through borrowing under the Federal Loan Agreement.

**Four Year Financial Plan: Fiscal Years 1979-1982**

Although the City accomplished the budgetary and accounting objectives of the Three Year Financial Plan, it did not regain access to the public credit markets. The agreements providing for Federal seasonal loans and for the sale of bonds of the City to the City Pension Funds, were to expire on June 30, 1978, the Control Board was to terminate within a few months of that date if it determined that the City's fiscal 1978 budget had been balanced as required and the Corporation had almost reached the limit of its issuance authority. The City, the Corporation, the Control Board and others, therefore, proposed a combination of actions intended to provide for the City's seasonal and long-term financing through the 1982 fiscal year and to enable the City to reenter the public credit markets, including development of the Debt Issuance Plan and the Four Year Financial Plan, extension of the Control Board, an increase in the Corporation's debt issuance authority, elimination of the State advance, and reduction of the City's seasonal financing requirements. The State and Federal legislation necessary to this program have been enacted and the agreement necessary to implement the Debt Issuance Plan will be signed on November 1978. See “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN” and “PART 11—VARIOUS CONTROL PROGRAMS—Control Board.”

Under the Act and the Emergency Act, for the fiscal years 1979 through 1981, the City's operating budget is to be balanced in accordance with the Uniform System of Accounts, as adjusted, and to show substantial progress in each year toward a budget balanced in accordance with GAAP. For the fiscal year 1982 and thereafter, the City is required to adopt an operating budget balanced in accordance with GAAP.

Pursuant to the Emergency Act, the City is also required to develop before the beginning of each fiscal year a financial plan for the next four fiscal years. On November 9, 1978, the Control Board approved the Four Year Financial Plan for the City for fiscal years 1979 through 1982, including a modification to the 1979 Financial Plan. The Control Board also approved 1979 Financial Plans for agencies not under the direct control of the mayor but subject to Control Board review (the “covered organizations”) and directed the City to submit financial plans for the covered organizations for fiscal years 1980 to 1982 by November 22, 1978.

The Four Year Financial Plan projects for fiscal year 1979 an operating budget balanced in accordance with the Uniform System of Accounts, as adjusted. For the fiscal years 1980 and 1981, the Four Year Financial Plan estimates budget gaps of $439 million and $879 million, respectively, determined in accordance with the Uniform System of Accounts, as adjusted, and in fiscal year 1982, a budget gap of $1,028 million, determined in accordance with GAAP. The City anticipates closing these budget gaps by a combination of City, State and Federal actions.

The estimates in the Four Year Financial Plan are based on past revenues received and expenditures incurred, as well as analyses of economic trends and the status of legislation affecting the City's finances. Although the City believes that its estimates are reasonable, budgetary projections are inherently uncertain of attainment and subject to continuing change and reevaluation, especially when they extend over several years and are heavily dependent upon non-controllable events and the City has explicitly disclaimed any representation or warranty that such estimates will be realized. Material changes were made in the City's estimates of various revenues, expenses and cash flow during the term of the Three Year Financial Plan, and similar changes have been made and are to be expected during the term of the Four Year Financial Plan.

The Four Year Financial Plan is based on numerous assumptions that could, if not realized, result in material increases in the projected levels of expenditure or material decreases in the projected levels
of revenue. Unless offset by other changes, any such adverse effects would cause, or increase, a budget gap, which would require the development or utilization of appropriate responses in order to provide for operating budgets balanced in accordance with applicable standards.

The City's ability to achieve a balanced budget in any fiscal year is further affected by policies established by the State and Federal governments, such as eligibility requirements for CETA, welfare, Medicaid, civil rights and environmental protection regulation and other mandated costs and practices. Furthermore, even if estimated budget gaps do not increase above the levels projected in the Four Year Financial Plan, many of the City's proposals to close the estimated budget gaps require Federal or State legislation or administrative action. Timely adoption and implementation of any particular proposals, or of any combination of proposals or alternatives that have the necessary cumulative effect, must be considered uncertain. To the extent that these measures prove to be unavailable or do not provide increased revenues, the City may be required to tighten controls on expenditures to an extent greater than anticipated.

1979 Financial Plan

The 1979 Financial Plan projects a budget balanced in accordance with the Uniform System of Accounts, as adjusted. To offset a decline in projected Federal revenues since the plan was first approved, the plan, as modified November 9, 1978, implements a selective hiring and promotion freeze announced by the Mayor on September 15, 1978 projected to produce a 2.7% decline in the number of City funded employees at the end of the 1979 fiscal year compared to the start of the fiscal year. The modification also revised certain revenue estimates and provided for implementation of a number of management improvement actions to offset $63 million of potential expenditure increases and revenue shortfalls identified by the Control Board. The Control Board identified additional potential shortfalls of $120 million, including an $80 million revenue shortfall if the purchase by the State from the City of title to land for building the Westway highway project does not occur. The Control Board also identified $50 million in potential additional revenue sources and $12 million of potential City actions which, together with the earmarked $100 million general reserve, were considered sufficient to permit approval of the modification.

Fiscal Years 1980-1982

The Four Year Financial Plan was developed by projecting revenues and expenditures from existing sources and for existing programs. To the extent that projected revenues are insufficient to provide for a budget balanced as required under the Act, the City has identified "budget gaps" in future years, which it anticipates closing by a combination of Federal, State and City actions. The City projects budget gaps of $439 million in the fiscal year 1980, $879 million in fiscal year 1981, and $1,028 million in fiscal year 1982. The Control Board Staff Report on the Four Year Financial Plan dated November 7, 1978 (the "Control Board Staff Report") concluded that, assuming a moderate increase in State and Federal aid, the plan provided a reasonable basis for assuming that the City will achieve a balanced budget under GAAP by fiscal year 1982. It stated, however, that it will be very difficult to implement programs to reduce the budget gaps without a serious impact on City services and that service reductions could affect economic development efforts and ultimately the City's revenue base.

To close the 1980 gap of $439 million, the City plans to take actions yielding $139 million in expenditure reductions or revenue increases and proposes that the State and Federal governments provide $300 million of additional assistance. For fiscal years 1981 and 1982 the proposed City contributions toward closing the gaps are $303 million and $427 million, respectively, and the State and Federal contributions proposed by the City are $576 million in 1981 and $601 million in 1982.
Planned City actions in 1980, 1981 and 1982 include attrition at the rate of 4% in each year, resulting in savings projected at $67 million, $172 million and $273 million, respectively, assuming wage costs in fiscal years 1981 and 1982 at the 1980 level. The Mayor has stated his intention to present to the Control Board in December 1978 a detailed workforce reduction program by agency and program to accomplish the attrition planned for 1980. He further stated that the City will consider hospital closings by HHC, may seek cooperation of the State to close excess beds in voluntary hospitals, and may propose to eliminate or reduce other programs and services. Additional planned management improvement and cost containment programs have been specified for 1980 and will be developed, if necessary, for the 1981 and 1982 fiscal years.

A variety of possible State and Federal actions have been proposed by the City and others which, if all were enacted and implemented, could provide the City with more than $1.4 billion in additional annual revenues. The amounts of the budget gaps proposed to be closed by such actions in fiscal years 1980, 1981 and 1982 are $300 million, $576 million and $601 million, respectively. It is unlikely that all of these proposals will be implemented during the period of the Four Year Financial Plan and there can be no assurance that enough of these actions, or others, will occur to provide the funds necessary to close these gaps.

The requirement that the City prepare a Four Year Financial Plan causes it to do advance detailed financial planning. The City must project its revenues from the State and Federal Governments before those governments have planned their expenditures for future years. During the period of the Three Year Financial Plan, the City projected that budget gaps comparable to those now projected would be closed by City actions and receipt of State and Federal revenues from programs not yet then enacted. The City was sufficiently successful in its own cost-saving and revenue-generating programs during that period and received sufficient State and Federal assistance to reduce its deficits under the Uniform System of Accounts, as adjusted, below the initially projected levels in its 1976 and 1977 fiscal years, and to report no deficit for fiscal 1978.

Notwithstanding the increases in State and Federal aid since 1975, the receipt of further large increases in Federal and State aid to close budget gaps must be regarded as uncertain.

The Special Deputy State Comptroller for New York City (the “Special Deputy State Comptroller”) in reports dated September 29, 1978 and November 3, 1978 expressed uncertainty with respect to particular State and Federal actions proposed by the City and with respect to the projections of aggregate amounts to be provided by State and Federal actions to close the projected budget gaps. He estimated that, after taking into account increases in State and Federal revenues included in the City’s revenue estimates, the increase in State and Federal aid from fiscal year 1980 to fiscal year 1982 necessary to close the projected gaps would exceed the growth in State and Federal assistance received by the City during the period from fiscal year 1977 to 1979. The reports concluded that because of the constraints on the ability of the State to increase its level of support to local governments, and the move toward a balanced Federal budget, the opportunities for increased assistance have been limited and the City’s assumption regarding growth of Federal and State aid must be regarded as uncertain. The Control Board Staff Report also expresses the judgment that the City will not attain its maximum projection of increased Federal and State aid although the report indicates that it is not unreasonable for the City to expect some additional assistance.

At the request of the Control Board, the City has developed a supplemental program of City actions to reduce the budget gap, in the event of a shortfall in State and Federal assistance from the desired level. This supplemental program includes a 6% attrition program, various expenditure reductions, and potential increased revenues from local sources.

A second supplemental program of extraordinary additional City actions has been developed to reduce the budget gap still further. This program would require 8% attrition, the termination of half of all CETA employees partially funded by the City and either reductions in pay to all workers or layoffs.
After implementation of both these supplemental programs, the State and Federal actions projected as necessary to close the remaining budget gaps are $189 million, $201 million and $119 million in fiscal years 1980, 1981 and 1982, respectively.

The Control Board and the Special Deputy State Comptroller have reviewed the proposed City actions to evaluate whether they are achievable and what their impact will be. Their initial findings indicate that portions of the City program appear attainable, others are less likely of implementation without having an adverse effect on City operations and service delivery, and significant portions of the programs cannot be evaluated properly without further documentation. Both the Control Board and the Special Deputy Comptroller have requested the City to provide additional information with regard to the cost containment programs.

Reviewing the City's proposals, the Control Board Staff Report and the Special Deputy State Comptroller indicate that the City faces substantial difficulties in balancing its operating budgets during the Four Year Financial Plan and thereafter. For example, many actions to reduce expenditures were taken during the period of the Three Year Financial Plan; it will be more difficult to make further reductions in expenditures or to limit their growth during the period of the Four Year Financial Plan. Collections of real estate taxes may be reduced as a result of a State Court of Appeals decision and recent legislation that require all real property to be assessed at 100% of full value by January 1, 1981. Such assessment would cause substantial shifts in real property tax burdens—greatly increasing taxes on one and two family homes—and should the City choose to mitigate those effects, substantial revenue losses could result. See "Litigation" in this PART 9. The Four Year Financial Plan assumes no increase in wage rates or benefits payable in contracts to be negotiated in 1980, and the Special Deputy State Comptroller has expressed reservations about the City's failure to make additional provisions for labor settlements in the 1981 and 1982 fiscal years. The City also assumes that its costs for other-than-personal services will increase at a rate less than the rate of inflation. City contributions to the Health and Hospitals Corporation ("HHC") and other covered organizations may exceed amounts provided in the Four Year Financial Plan, which provides for only limited increases in the subsidies to each organization; in the past, when the need for increased subsidies has arisen, the City has provided the necessary funds.

Efforts to increase revenues through higher taxes may be counterproductive; substantial resistance by labor groups to personnel reductions can be expected, and reductions in services may cause relations with various community groups to deteriorate. To the extent that the anticipated State and Federal actions to close projected budget gaps are not taken, additional City actions, including further expenditure reductions will be necessary.

There can be no assurance that the City will be able successfully to carry out the actions it proposes to take to balance its operating budget as required or develop and implement alternative actions, although the Mayor has stated his commitment to do so.

Cash Sources

The City projects meeting its net cash needs during the period of the Four Year Financial Plan from Federal and State aid, seasonal borrowings, the sale of Guaranteed City Bonds issued pursuant to the Guarantee Agreement and the sale of unguaranteed bonds to the public, the proceeds of the sale of certain bonds of the Corporation issued in the public credit markets and pursuant to the Financing Agreement, and, in fiscal year 1979, the sale of certain federally insured mortgages on City financed housing projects.

In the 1979 fiscal year the City anticipates that its need for cash from sources other than the scheduled receipt of taxes and other revenues will be substantially reduced from its needs in recent years. Projected seasonal borrowing needs are anticipated to be $750 million for the 1979 fiscal year, compared to needs of $1.9 billion in 1978, which were met through Federal seasonal loans. The reduction is due in part to the planned funding by the City, from the proceeds of the sale of the Cor-
poration's bonds and other available moneys, of the $800 million advance by the State of State assistance moneys which was made in each of the 1975 to 1978 fiscal years.

The City Pension Funds and Commercial Banks have agreed, subject to certain conditions, to loan to the City $750 million evidenced by City notes. The City also intends to offer its notes for sale to the public; the commitment of the Commercial Banks and Pension Funds to purchase notes will be reduced by the amount of any such public sales. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Seasonal Agreement."

The City projects its seasonal financing needs at between $800 million and $1 billion a year for the 1980, 1981 and 1982 fiscal years. Although the City may be able to meet all or a portion of its requirements in the public credit markets, no commitments by private sources to purchase the remainder of these notes, if the City is unable to sell them to the public, have yet been received.

No assurance can be given that the City's projections of when it will receive money from any of these cash sources will be met. Among other factors, the number and potential difficulty of the conditions which must be met before any sale of notes or bonds of the City or the Corporation pursuant to the Guarantee Agreement, the Financing Agreement, or the Seasonal Agreement takes place could prevent or delay any such sale. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

**Litigation**

The City is a defendant in a significant number of lawsuits pertaining to material matters including those claims asserted which are incidental to performing routine governmental and other functions. As of June 30, 1978, claims in excess of $17 billion were outstanding against the City for which the City estimates its aggregate potential future liability to be $770 million. The City provides in its Four Year Financial Plan for the amount of claims anticipated to be settled during each year.

In addition to the above claims and proceedings, numerous real estate tax certiorari proceedings are presently pending against the City on grounds of alleged inequality of assessment. These proceedings present a question with regard to the appropriateness of and weight to be afforded the equalization rate fixed by the State Board of Equalization and Assessment in determining the ratio of assessed value to full value in cases involving taxpayer challenge to assessments of real estate. Similar litigation has been commenced in other localities in the State, and in certain such localities, court decisions have been adverse to the taxing authority. An adverse decision to the City involving this issue could have a substantial adverse impact on the City. It has been estimated by the City's Real Property Assessment Bureau that the potential exposure to the City should an adverse decision be rendered could amount to as much as $1.8 billion. Remedial legislation has been enacted to limit and reduce such liability; however, this legislation is also being challenged. No provision for this potential exposure if any, has been made in the City's Four Year Financial Plan.

For a description of additional litigation which relates to provisions of the 1978 Amendments intended to enable the City to limit the costs of labor settlements, see "PART 14—LITIGATION."

**Expiration of the Plan**

The Four Year Financial Plan currently covers the fiscal years of the City ending with the 1982 fiscal year. Pursuant to the Emergency Act, before each fiscal year, the City is required to develop a four year financial plan projecting an operating budget balanced in accordance with GAAP for such year and projecting the City's budgetary and financing needs for the three succeeding fiscal years. It is anticipated that such financial plans for the succeeding fiscal years will show budget gaps for which additional Federal, State and City gap-closing actions may be necessary.

In 1983 and subsequent fiscal years, the City may face substantial budgetary and financing difficulties of a nature similar to those faced during the course of the Four Year Financial Plan. For a discussion of long-range financial and economic problems potentially facing the State, many of which are also faced by the City, see "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE—Long Term Trends."

44
For fiscal year 1983 and thereafter, the City has no commitments for the provision of either short-term or long-term financing. The City plans to meet such financing needs in the public credit markets. If it is not possible for the City to sell its notes and bonds, on reasonable terms and in sufficient amounts, there is no assurance that either the Federal government or the State would continue programs of budgetary and financing assistance similar to those currently being relied on.

**Federal Bankruptcy Legislation**

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

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

The filing of such a Chapter 9 petition would cause a failure of a condition to the obligation of the Financial Institutions and City Pension Funds to purchase bonds of the Corporation and could cause the Secretary to refuse to guarantee any additional City bonds and to withhold Federal aid payable to the City or the State pursuant to the Federal Guarantee Act.

Although the filing of such a petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a materially adverse effect on the Corporation's ability to repay its obligations, including the 1978 Series 10 Bonds. The filing of such a petition, as with other financial developments with respect to the City, might affect the market and market price for the 1978 Series 10 Bonds.

The revised Chapter 9 referred to in "Part 5—Provisions for Payment of the Bonds—Federal Bankruptcy Legislation" will not materially alter the provisions of the present Chapter 9 that are described above.

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**PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN**

The financing requirements of the City during the Four Year Financial Plan are expected to be fulfilled through the sales of obligations of the Corporation and obligations of the City pursuant to the Debt Issuance Plan, see "Part 2—Four Year Debt Issuance Plan" and "Part 9—Certain Developments Affecting the City—Cash Sources." As described more fully in this Part 10, the implementation of the Debt Issuance Plan required the enactment of certain State and Federal legislation and the execution of the Agreements. The obligation of each of the purchasers to make the purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirements that the City adopt and adhere to operating budgets for fiscal year 1982, and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), and that specified portions of the Emergency Act shall not have been rendered invalid or unenforceable in whole or in material part by any judicial decision or action of the State. Although the Corporation believes implementation of the Agreements and other elements of the Debt Issuance Plan is achievable, no assurance can be given that the applicable conditions of the Agreements
will in the future be satisfied, or if satisfied that such purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

State Legislation

In June 1978 and September 1978, the 1978 Amendments were enacted amending the Act in order to permit the Corporation to fulfill elements of the Debt Issuance Plan relating to it. Prior to the passage of the 1978 Amendments, the Corporation had virtually exhausted its statutory authority to issue its bonds and notes. The 1978 Amendments increased from $5.8 billion to $8.8 billion the amount of bonds and notes (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal financing requirements) which may be issued by the Corporation, and it expanded the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments to the City for any item which is permitted to be included in the City's capital budget, (ii) payments which will have the effect of reducing the City's requirements for State advances of State assistance moneys payable to the City, (iii) payments into the Guarantee Fund, and (iv) the financing of the City's seasonal borrowing requirements. The 1978 Amendments also extended the latest date on which the Corporation may issue obligations by two years to June 30, 1982 and increased the maximum maturity of obligations from twenty to thirty years, provided that no note or bond may mature later than July 1, 2008. Any note issued by the Corporation to finance the City's seasonal borrowing requirements must mature in the same fiscal year in which it is issued. Payments made by the Corporation to the City for capital items (exclusive of those expense items permitted by law to be included in the City's capital budget during the period of the phase-out of such items from the capital budget) must be evidenced by bonds of the City to be repaid on a schedule comparable to that for the bonds of the Corporation.

The 1978 Amendments also amended the Emergency Act to extend the duration of and to revise the duties and powers of the Control Board and to provide for the 1978 State Covenant. See "PART 11—VARIOUS CONTROL PROGRAMS—Control Board" and "PART 12—AGREEMENT OF THE STATE OF NEW YORK." For a description of litigation challenging certain of such provisions of the 1978 Amendments, see "PART 14—LITIGATION."

Federal Guarantee Act

In August 1978 the Federal Government enacted the Federal Guarantee Act to authorize the Secretary to guarantee the payment of principal of and interest on indebtedness of the City or the Corporation issued or to be issued to employee pension funds of the City or of the State or of their agencies, including the City Pension Funds and the State Pension Funds ("Guaranteed Indebtedness"). Such guarantees are subject to annual limitations and may not exceed $1.65 billion in aggregate principal amount outstanding. Federal guarantees are expected to be applied only to indebtedness of the City.

The Secretary's authority to issue guarantees terminates on June 30, 1982, and any such guarantee is required to lapse not later than fifteen years after the date of issuance of the indebtedness guaranteed or upon transfer of the indebtedness by a City or State pension fund (other than by transfer not involving a change in beneficial ownership).

The Federal Guarantee Act calls for the Secretary to collect a guarantee fee from the issuer computed at a daily rate of not less than ½ of 1% per annum on the outstanding principal amount of Guaranteed Indebtedness, and this fee may be increased without limit by the Secretary in order to induce the issuer to enter the public credit markets.

The issuance of all guarantees is subject to statutory limitations and conditions and such other conditions as the Secretary may impose. Prior to issuing any guarantee, the Secretary must determine, among other things, that (i) the City is effectively unable to obtain upon reasonable terms and conditions sufficient credit in the public credit markets or elsewhere to meet the City's borrowing needs; (ii) the interest rate on such Guaranteed Indebtedness is reasonable; (iii) there is a reasonable prospect that the Guaranteed Indebtedness will be repaid in accordance with its terms and
conditions; (iv) during the 1979 through 1982 fiscal years the long-term and short-term borrowing needs of the City (other than borrowing guaranteed under the Federal Guarantee Act) will be met by the State, an agency of the State, private sources or through the public credit markets in amounts that will enable the City after the 1982 fiscal year to meet its long-term and short-term borrowing needs through the public credit markets; (v) the Control Board is requiring the City (a) to adopt and adhere to operating budgets balanced in accordance with GAAP for the 1982 fiscal year and thereafter, (b) to make substantial progress toward that goal during fiscal years 1979 through 1981, and (c) prior to the 1982 fiscal year, to adopt and adhere to operating budgets balanced in accordance with accounting principles established under State law; (vi) the City has submitted a Four Year Financial Plan for the then current and three succeeding fiscal years which will result in budgets balanced as required by the Guarantee Act; (vii) the Control Board has demonstrated to the satisfaction of the Secretary that it has the authority to control the fiscal affairs of the City during the period Guaranteed Indebtedness is outstanding; (viii) in fiscal years 1980-1982, except during any year in which the City has presented a budget balanced in accordance with GAAP, the State has furnished assurance to the Secretary that State financial assistance to the City will not be less than was provided in fiscal year 1979; and (ix) the City has agreed to offer to sell for distribution to the public short-term notes in the 1980, 1981 and 1982 fiscal years and long-term bonds in the 1981 and 1982 fiscal years, unless the Secretary determines that any such offer would be inconsistent with the financial interests of the City.

The Secretary must also make the following determinations as a condition to issuing guarantees (all of the agreements of the City referred to below are provided for in the Agreement to Guarantee):

1. To provide for retirement of Guaranteed Indebtedness in advance of maturity, the City has agreed that in each year following the 1982 fiscal year the City will pay or provide for the payment of indebtedness then guaranteed, giving priority to indebtedness having the longest maturity, in a principal amount not less than 15% of the net proceeds of obligations of the City (and of obligations of the Corporation the proceeds of which are paid to the City) issued in the public credit markets during such year. The City also has agreed that as soon as practicable after the Secretary determines that the City has demonstrated its ability to meet its long-term credit needs through the public credit markets, the City will implement a program satisfactory to the Secretary for refunding any outstanding Guaranteed Indebtedness to achieve complete repayment at the earliest practicable date. Both such requirements are subject to the Secretary's consideration of the effect of such requirements on the City's ability to meet its long-term credit needs in the public credit markets.

2. To provide for monitoring of the financial condition of the City for such time as any Guaranteed Indebtedness remains outstanding, the City has agreed to submit to the Secretary, after the close of each fiscal year during which any Guaranteed Indebtedness is outstanding, an opinion of independent public accountants setting forth the results of an audit of the financial statements of the City and describing any deviation from GAAP. The City has agreed to establish an audit committee to assist in determining the areas of inquiry for, and to review and evaluate, such audits. In addition, during such time as Guaranteed Indebtedness is outstanding, the Secretary is authorized to inspect all documents of the City or the Corporation relating to the City's financial affairs and the General Accounting Office may make such audits of the City or the Corporation as may be deemed appropriate by the Comptroller General. The City also has agreed to establish a productivity council to develop and seek to implement methods for enhancing the productivity of the City's labor force.

3. At the time any guarantee is made by the Secretary, the State or a State agency (in this case, the Corporation) has deposited in a fund (the Guarantee Fund) an amount which together with amounts previously deposited therein, shall equal not less than 5% of the principal of, plus 5% of one year's interest on, the Guaranteed Indebtedness outstanding (including the amounts to be guaranteed at the time the deposit is made). Amounts on deposit in the fund shall be used to pay, or to reimburse the Treasury for paying any principal of and interest on such indebtedness that the issuer of the Guaranteed Indebtedness fails to pay. See “PART 4—USE OF PROCEEDS.” In addition, if the Federal Government has any claims against the City or the State pursuant to the Federal Guarantee Act, the Federal Guarantee Act requires the Secretary to provide for the withholding of payments from the United States to the City or State that may be or may become due pursuant to any law.
The City and the State are required to be meeting their obligations under the Federal Guarantee Act at the time of each issuance of a guarantee.

The Secretary may authorize guarantees in the 1982 fiscal year (other than carryover authority from the three prior fiscal years) only if he determines that the City has presented a budget for the 1982 fiscal year that is balanced in accordance with GAAP. The Federal Guarantee Act provides that in addition to the terms and conditions for the issuance of guarantees set forth therein, the Secretary may require other terms and conditions which he deems appropriate. See "Guarantee Agreement" in this Part 10.

No assurance can be given that the City will be able to meet the conditions necessary to enable it to obtain Federal guarantees in fiscal years 1980, 1981 and 1982, if required. For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Federal Guarantee Act, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY". Furthermore, either the United States House of Representatives or the Senate may disapprove guarantees in either or both the 1980 and 1981 fiscal years, in whole or in part.

Pension Legislation

In October 1978, the Federal Government enacted legislation ("Pension Legislation") that has the effect of exempting from certain "prohibited transaction" and "exclusive benefit" provisions of the Internal Revenue Code purchases by the City and State Pension Funds of bonds and notes to be sold to them as part of the Debt Issuance Plan.

The provisions of the Pension Legislation apply to purchases of obligations of the Corporation and of the City by City Pension Funds pursuant to an agreement approved by the Secretary. In the case of a City Pension Fund, the general standard to be applied by the Secretary in approving an agreement is the extent to which such purchases will (1) maintain the City's ability to make future contributions to the City Pension Funds and to satisfy its future obligations to pay pension and retirement benefits and (2) protect the sources of funds to provide retirement benefits to members and beneficiaries. To approve such an agreement the Secretary must consider the terms of the proposed purchases and receive satisfactory assurances that the State, a State agency, private sources, or public markets will participate significantly in the acquisition of obligations of the City or the Corporation. No acquisition may be made unless the Secretary determines that the City is complying with the budget and financial reporting conditions of the Federal Guarantee Act, and no such acquisition after March 15, 1980 may be made by a City Pension Fund unless a copy of its most recent annual report and statement of projected cash flow, which must comply with certain prescribed standards, have been submitted to the Secretary.

An acquisition of obligations of the City or the Corporation made by the City or State Pension Funds satisfies the requirements of the Pension Legislation only if: (i) in the case of a State Pension Fund, no more than 10 percent of its assets consists of indebtedness of the City or the Corporation at the time of the acquisition; (ii) in the case of a City Pension Fund, no more than 50 percent of its assets consists of such indebtedness at the time of the acquisition and the aggregate amount of such indebtedness held by all the City Pension Funds and the New York City Fire Department Pension Fund, Article 1-B at the end of the prior fiscal year shall not have exceeded specified percentages of their combined assets (for the 1979, 1980, 1981, and 1982 fiscal years the percentages are 40, 36, 33, and 30 percent of their combined assets, respectively) and (iii) after the acquisition of such bonds, such City Pension Fund will have a positive cash flow for the fiscal year in which such obligations were purchased.

Financing Agreement

The obligations of the Financial Institutions and City Pension Funds to make the purchases called for by the Financing Agreement are subject to many conditions, certain of which are referred to below.

A purchase scheduled to be made pursuant to the Financing Agreement is required to be made only if substantially all scheduled purchases under the Debt Issuance Plan have been made at such time
and if the Guarantee Agreement, including the obligations of the City and State Pension Funds to make the purchases required thereby, shall be in full force and effect, and shall not have been amended or modified in any material respect or any material provision thereof waived, and the United States shall have guaranteed and the City and State Pension Funds shall have purchased substantially all of the Guaranteed Bonds theretofore to have been guaranteed and purchased pursuant to such Agreement. For a description of statutory conditions required to be fulfilled in order that the Guarantee Agreement remain in full force and effect, see "Federal Guarantee Act" in this Part 10.

Certain of the conditions contained in the Financing Agreement are directly related to the financial condition and prospects of the City and the authority of the Control Board to control the fiscal affairs of the City. Among the conditions applicable at the time of each purchase are the following: (i) the Control Board must have determined, in effect, that the borrowings reflected in the City's then current financial plan will be sufficient to satisfy the City's seasonal and long-term borrowing requirements during the period covered by such plan; (ii) an agreement (the "Adherence Agreement") executed by the City with the Financial Institutions and City Pension Funds to comply with the provisions of the Emergency Act, must be in full force and effect and the City must not be in breach thereof; (iii) the City's reported operating budget deficit, if any, for the fiscal year prior to any purchase, the projected operating budget deficit, if any, for the then current fiscal year, and the City's seasonal borrowing needs for the then current fiscal year, do not exceed specified limits; and (iv) the Control Board must determine that the City is in substantial compliance with outstanding orders of the Control Board. Additionally, there must be no default in payment of principal of or interest on any indebtedness, or in payment of certain contracts of, the Corporation, the City, the State or any general obligations of any agency whose obligations are backed by the "moral obligation" of the State; the 1978 State Covenant, as described in "Part 12—Agreement of the State of New York", must be included in the bonds and must not have been amended or modified in any material respect; and the Resolutions and the Act must not have been amended in any way adverse to the interests of the Financial Institutions or City Pension Funds.

The pendency of certain litigation relating to certain of the powers or duties of the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Financing Agreement would also cause a failure of a closing condition under the Financing Agreement. The obligations of the City Pension Funds to make the purchases called for in the Financing Agreement are subject to the enactment of certain State legislation relating to the powers and duties of the Funds, the City making all contributions to such Pension Funds on a specified regular basis, and the qualification of such purchases under the Pension Legislation. The obligation of the Financial Institutions to make the purchases called for is conditioned upon the exclusion from gross income for Federal income tax purposes of interest on the bonds purchased or to be purchased not having been threatened by reason of specified legislative, judicial or administrative actions having been taken.

In addition to the conditions described above, at the time of each purchase there shall have been no governmental actions or liens that result in a material adverse change in the prospects for payment of the principal of or premium, if any, or interest on the bonds to be purchased and the bonds to be purchased must have an investment grade rating from Standard & Poor's Corporation and Moody's Investors Service, Inc.

The Financing Agreement requires that funds advanced by the Corporation to the City for capital expenditures shall be evidenced by City bonds and that City bonds received by the Corporation prior to July 1, 1982 shall include the 1978 State Covenant. It further requires that prior to March 31, 1979, the Corporation shall exchange at least $20 million aggregate principal amount of City bond anticipation notes it currently holds for an equal principal amount of City bonds containing the 1978 State Covenant and requires the Corporation, in certain instances, to take action to enforce the 1978 State Covenant.

For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Financing Agreement, see "Part 9—Certain Developments Affecting the City."
Any bonds purchased pursuant to the Financing Agreement, other than the 1978 Private Series Bonds, will bear interest at a rate computed in accordance with a formula specified in the Agreement. The formula takes into account various market factors and will result in a rate equal to or somewhat higher than the rate at which such bonds would be successfully distributed in the public credit markets.

Guarantee Agreement

The Guarantee Agreement provides, subject to the fulfillment of numerous conditions, that the City and State Pension Funds will purchase, and the United States will guarantee the payment of the principal of and interest on, up to $500 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1979 and up to $250 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1980. In addition, the Agreement permits the Secretary, subject to the same conditions, to guarantee, on behalf of the United States, up to an aggregate of $900 million of City bonds sold to the City and State Pension Funds in fiscal 1981 and 1982 (with no more than $300 million in fiscal 1981), to the extent that the Secretary determines the City and the Corporation are unable to sell their bonds on reasonable terms in the public credit markets. The City and State Pension Funds have agreed to purchase in fiscal 1981 and 1982 up to $900 million principal amount of City bonds which the United States may guarantee in those years.

Prior to the giving of any guarantee under the Guarantee Agreement, the Secretary must determine that all conditions required by the Federal Guarantee Act have been fulfilled. See "Federal Guarantee Act" in this Part 10. Issuance of Federal guarantees under the Guarantee Agreement also is subject to certain additional conditions among which are the following: Guarantees are required to be made under the Guarantee Agreement only if substantially all scheduled purchases under the Debt Issuance Plan have been made at the time of any issuance by the City of bonds to be guaranteed. The City must be in substantial compliance with its then current four year Financial Plan. The Financing Agreement must be in full force and effect without material amendment, modification or waiver not approved by the Secretary. The Emergency Act must remain substantially in full force and effect, the City must be in substantial compliance therewith, including the borrowing limits imposed on the City by such Act. The pendency of certain litigation relating to certain of the powers or duties or the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Guarantee Agreement would also cause a failure of a closing condition under the Guarantee Agreement.

Bonds guaranteed pursuant to the Guarantee Agreement must mature serially within 15 years from the date of issuance. The Federal guarantee lapses upon any transfer of the bonds, other than a transfer not involving a change in beneficial ownership. The Guarantee Agreement requires the City to pay a guarantee fee equal to 1/2 of one percent per annum of the outstanding principal amount guaranteed, which percentage may be increased without limit by the Secretary in order to induce the City to reenter the public credit market.

As required by the Federal Guarantee Act, the City has made all agreements required to be made as a condition to the Secretary's issuance of guarantees. See "Federal Guarantee Act" in this Part 10.

The Guarantee Agreement also provides for the establishment of the Guarantee Fund by the Corporation. As required by the Federal Guarantee Act, prior to the issuance of any Federal guarantee, an amount equal to five percent of the sum of the principal of and one year's interest on the outstanding and then to be issued Guaranteed City Bonds is required to have been deposited in the Guarantee Fund, see "PART 4—Use of Proceeds." Additionally, the Corporation has agreed to surrender for cancellation, without payment, the notes of the City it currently holds, other than bond anticipation notes. The Corporation has further agreed to surrender such bond anticipation notes for cancellation, to exchange them for City bonds or to make other provisions with respect to their payment satisfactory to the Secretary on or before March 31, 1979 or such later date as the Secretary shall agree.

For a description of certain conditions and plans of the City which may affect the fulfillment of various conditions contained in the Guarantee Agreement, the Federal Guarantee Act and the Pension Legislation, see "PART 9—Certain Developments Affecting the City."
Seasonal Agreement

The Seasonal Agreement provides commitments by the Commercial Banks and the City Pension Funds to make loans evidenced by revenue anticipation notes of the City (the "Notes") in an aggregate principal amount of up to $750 million during the 1979 fiscal year. Notes due in April would be issued by the City in anticipation of State aid to education, State welfare assistance anticipated to be received in April 1979 and notes due in June 1979 would be issued by the City in anticipation of State aid to education and higher education, State welfare assistance, State Per Capita Aid and Sales Tax and Stock Transfer Tax collections payable to the City after satisfaction of the Corporation's funding requirements. All Notes would contain the pledge of the City of its faith and credit.

The Seasonal Agreement provides that the aggregate amount to be made available under such Agreement will be $500 million on and after the date of such Agreement with an additional $250 million made available on and after January 1, 1979. The commitment to make loans expires on March 30, 1979, and the aggregate amount of the commitment is reduced by the amount of any Notes maturing prior to July 1, 1979 issued by the Corporation to satisfy the City's seasonal financing needs or issued by the City other than pursuant to the Seasonal Agreement.

The interest rate on the Notes is to be determined by a formula based on the Federal Funds Rate but may not in any event be less than 7.5% or exceed 9.5%. The Notes may be prepaid by the City, unless a lender elects on a specified date to exchange Notes for notes having the same form as notes, if any, sold by the City in the public credit markets and bearing interest at a rate equal to the yield to maturity on publicly traded City notes at approximately the time of exchange. The City has also agreed to pay a commitment fee equal to one-half percent per annum of the amount of the available commitment plus the amount of the outstanding Notes prior to exchange, subject to reduction in certain circumstances.

The Seasonal Agreement contains conditions to make loans substantially similar to those contained in the Financing Agreement with respect to purchases required to have been made pursuant to the Financing Agreement and the Guarantee Agreement. In addition, the Seasonal Agreement requires, that the City's cash flow statements do not show a seasonal financing need as of the date of such statements or for the remainder of the 1979 fiscal year in excess of $750 million. Among the other conditions to loans contained in the Seasonal Agreement are those relating to waiver by the Secretary of certain priorities of the United States and those relating to the revenues in anticipation of which the Notes are to be issued and the prospects for the payment of the Notes when due.

The City has covenanted to employ its best efforts to satisfy the maximum practicable amount of its seasonal borrowing requirements (taking into account yield, maturity and other factors) through sales of notes to the public. The City has also covenanted to comply with the provisions of the Emergency Act, and the Four Year Financial Plan. The City is to include the 1978 State Covenant in the Notes.

For a discussion of certain conditions and plans of the City that may affect fulfillment of certain conditions contained in the Seasonal Agreement, see "Part 9—Certain Developments Affecting the City."

PART 11—VARIOUS CONTROL PROGRAMS

This Part describes the powers of the Corporation to aid the City, the requirements imposed upon the City by the Act and the Emergency Act, and the powers of the Corporation and the Control Board to review and take action with respect to the City's compliance with such requirements. For a description of other budgetary and financial requirements imposed upon the City pursuant to the Federal Guarantee Act, the Pension Legislation and the Agreements, see "Part 10—Legislation and Agreements Relating to the Debt Issuance Plan."
Powers of the Corporation

The Act authorizes the Corporation to make direct payments to or purchase obligations of the City, subject to the conditions described under “Conditions to Payments to the City” in this Part 11. Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City’s seasonal borrowing requirements).

The Corporation may pay to the City part or all of the amounts certified by the Mayor to be required by the City (a) to pay principal and interest on short-term City obligations at maturity, (b) to pay any item permitted to be included in the City’s capital budget, (c) to reduce the City’s requirements for an advance of State assistance moneys, (d) to meet the City’s seasonal borrowing requirements, or (e) to pay operating expenses of the City other than those included in (b), (c) or (d). Amounts received pursuant to (a) must be held in trust by the City and used for such purpose. All other amounts received must be used to pay such expenses for which certification has been made. City obligations issued in consideration for payments pursuant to (a) or (e) must mature within 15 years from the date of issuance. Amounts advanced pursuant to (e) may not exceed $2.0 billion in aggregate principal amount outstanding; as of the date hereof, such advances aggregate $1.9997 billion. Amounts paid pursuant to (b), other than for expense items permitted to be included in the capital budget, must be evidenced by City bonds that mature on substantially the same schedule as bonds of the Corporation issued to make such payments.

The Corporation is authorized 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. As of the date hereof, the Corporation has issued $1.839 billion aggregate principal amount of Second Resolution Bonds in exchange for an equal principal amount of outstanding short-term obligations of the City.

Any short-term obligations of the City held by the Corporation (other than bond anticipation notes) may be delivered to the City for cancellation without payment of principal or interest thereon. Bond anticipation notes held by the Corporation may not be delivered to the City for cancellation without payment of principal and interest unless the Mayor and the City Comptroller have requested that they be delivered for cancellation. City bonds held by the Corporation may not be delivered to the City for cancellation without payment unless they are refunded or renewed. In addition, City bonds may not be sold or transferred to anyone other than the City unless the Mayor and the City Comptroller have requested such action.

Conditions to Payments to the City

The Act provides that, at the time of any purchase by the Corporation of City obligations or any exchange of the Corporation’s bonds or notes for 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 Act provides that the statutory conditions, as modified by the Corporation and agreed to by the City, shall cease to apply when all bonds and notes of the Corporation have been repaid or such repayment is provided for as specified in the Act.

The statutory conditions 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-incurrence 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 as required by the Act as in effect before passage of the 1978 Amendments, the City adopted as its method of accounting the accounting principles set forth in the Uniform System of Accounts, as adjusted. The City’s audited financial statements provided to the Corporation for the City’s 1978 fiscal year were prepared and those to be prepared for each subsequent fiscal year are to be prepared in accordance with GAAP, with the
adjustments necessary to show results in accordance with the Uniform System of Accounts, as adjusted, for fiscal years 1978 through 1981.

(ii) The Act, as in effect after passage of the 1978 Amendments, requires the City to comply with various provisions of the Emergency Act relating to balanced budgets, provisions for debt service and other financial requirements. The City remains obligated to submit its proposed operating budgets (and any subsequent increases in expenditures therein) and operations reports for each fiscal year and each quarter to the Corporation for review as to whether the City is adhering to an operating budget in which the total of all income equals or exceeds the total of all expenditures, after the adjustments permitted by the Act.

(iii) The Act sets forth two tests for the issuance by the City of its short-term notes. Under one test the sum of the aggregate principal amount of the City’s outstanding short-term obligations plus the aggregate principal amount of certain outstanding bonds and notes of the Corporation may not exceed a specified amount. Under the second test, the sum of the aggregate principal amount of the City’s outstanding short-term obligations (excluding bond anticipation notes) plus the aggregate principal amount of certain bonds and notes issued by the Corporation, whether or not still outstanding, may not exceed another specified amount. The Corporation is required to police these limits by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates the debt limits and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation anticipates that neither limit will prevent the City from issuing any of the short-term obligations contemplated in the Four Year Financial Plan.

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 operating budget will not be balanced in accordance with the Act, or that any of the conditions summarized above have not been fulfilled or should be modified, the Corporation must notify the Governor, the Mayor and certain other State and City officials and must disclose such determinations to the public.

Control Board

The Control Board, created pursuant to the Emergency Act in 1975, is composed of the Governor and Comptroller of the State, the Mayor and Comptroller of the City and three appointees of the Governor: Francis J. Barry (a member of the Board of the Corporation), John C. Sawhill and Stanley Shuman. (Two of the gubernatorial appointees must be residents of, or have their principal place of business in, the City). The Executive Director of the Control Board Donald D. Kummerfeld, has resigned effective November 16, 1978. Comer Coppie, formerly Director of the Budget of Washington, D.C. has been named as his successor. Sidney Schwartz is Special Deputy State Comptroller empowered to assist the Control Board and the Corporation in carrying out their functions. Non-voting representatives may be appointed to the Control Board by the lieutenant governor, by the temporary president and the minority leader of the Senate, by the Speaker and the minority leader of the Assembly, by the president, the vice-chairman and the minority leader of the City Council and by the Board of Estimate of the City.

The most significant powers of the Control Board are exercisable during a “control period,” defined in the Emergency Act to mean the period ending when (i) there is no longer effective or outstanding any Federal guarantee (see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act”), (ii) the Control Board has determined that the City has adopted and adhered to an operating budget balanced in accordance with GAAP for each of the three immediately preceding fiscal years, and (iii) the State and City Comptrollers have jointly certified that securities sold by or for the benefit of the City during the preceding and current fiscal year in the public market satisfied the capital and seasonal financing requirements of the City during such period and that there is a substantial likelihood that such securities can be sold in the public credit markets through the end of the next succeeding fiscal year in amounts that will satisfy substantially all of the capital and seasonal financing requirements of the City during such period. Thereafter, a control period is to be reimposed by the Control Board at such times and for such durations as are made necessary by
the actual (or substantially likely and imminent) occurrence of certain events relating to the City's ability to pay its bonds and notes when due or its ability to adopt or adhere to a balanced operating budget or to satisfy its capital and seasonal financing needs in the public markets. After the termination of a control period, the Control Board is required to consider annually whether, in its judgment, any of the specified events have occurred. No control period may extend beyond the earlier of (i) July 1, 2008 or (ii) such date as no bonds or notes containing the 1978 State Covenant remain outstanding and there is no longer effective or outstanding any guarantee issued pursuant to the Federal Guaranty Act.

During a control period, the four year financial plans of the City, including modifications thereof are subject to review and approval by the Control Board. In addition, the Control Board may formulate a financial plan, in the event a plan shall not have been approved prior to the beginning of the first fiscal year covered by such plan, and may modify a plan, in the event a modification required pursuant to the Emergency Act shall not have been approved within the time period specified by such Act. The Control Board is required to disapprove a financial plan or financial plan modification if the plan or modification is incomplete or fails to comply with the applicable standards specified in the Emergency Act, except that the Control Board may authorize a method of phasing the requirements of any changes in GAAP into the operating budget over a reasonable period if immediate compliance would cause a substantial adverse impact on the delivery of essential services. The Control Board may also approve modification to a financial plan that would cause the financial plan to no longer be in compliance with the applicable standards if compliance would result in a material adverse impact upon the delivery of essential services because of unforeseen events during the fiscal year. Beginning with the 1983 fiscal year, any deficit in the City's operating budget must be provided for in the following fiscal year.

The Control Board's current program for determining the City's compliance with its financial plan includes monitoring the City's 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 a control period all revenues, funds and accounts of the City and any covered organization are revenues, funds and accounts of a fund established pursuant to the Emergency Act (the "Board Fund") and are held for the account of the City or the appropriate covered organization except to the extent prohibited by law or previous agreement relating to outstanding securities and except for moneys deposited into a City debt service fund, or repayment accounts for tax or revenue anticipation notes. Responsibility for disbursements from and day-to-day management of the Board 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, subject to certain conditions. The Control Board has the power to exempt revenues, funds or accounts from these requirements.

In addition to its responsibilities with respect to the four year financial plans, during a control period the Control Board is also charged with responsibility for the review and approval of proposed contracts or obligations of the City and the covered organizations, including any arrangement whereby the revenue or credit of the City would be encumbered for the payment of any obligations of certain public benefit corporations, not including the Corporation, and, in coordination with the Corporation, the approval of long-term or short-term borrowing by the City or any covered organization.

PART 12—AGREEMENT OF THE STATE OF NEW YORK

The State has pledged to and agreed with the holders of the Corporation's bonds, including the Second Resolution Bonds, that the State will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with holders of any such bonds, or in any way impair the rights and remedies of such holders, until any such 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.

Pursuant to the 1978 Amendments, with respect to any notes or bonds of the City issued after September 28, 1978 and prior to July 1, 1982, and with respect to any bonds of the Corporation
issued after September 28, 1978, the City is authorized and the Corporation is authorized and required to include the 1978 State Covenant in any agreement with holders or guarantors of such notes or bonds. By the terms of the 1978 State Covenant, the State agrees not to take any action that will (a) substantially impair the authority of the Control Board during a control period to approve, disapprove or modify any financial plan or modification, to disapprove contracts of the City or covered organizations, to approve or disapprove proposed borrowings of the City or covered organizations, and to establish procedures for deposits to and disbursements from the Bond Fund; (b) substantially impair the authority of the Control Board to review financial plans and modifications, contracts and proposed borrowings of the City or covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the Control Board such that a majority of the voting members are not elected State officials or appointees of the Governor; (e) terminate the existence of the Control Board before the earlier of July 1, 2008 or the date when all notes or bonds containing the 1978 State Covenant are no longer outstanding and there is no longer effective or outstanding any Federal guarantee; (f) substantially modify the requirement that the City's financial statements be independently audited; or (g) alter the definition of control period or substantially alter the authority of the Control Board to reimpose or terminate a control period. The Emergency Act provides that the pledge and agreement of the State shall cease to be effective when notes and bonds subject to the pledge are no longer outstanding or when sufficient moneys have been set aside for their payment.

Enactment of the 1978 State Covenant was considered by the Financial Institutions to be an essential condition to their participation in the Debt Issuance Plan. In the opinion of Bond Counsel, given to the Financial Institutions and City Pension Funds pursuant to the Financing Agreement, while the matter is not free from doubt, the 1978 State Covenant is enforceable, provided a court would hold that the pledge is an "important security provision" of the Bonds, "subject at all times to the proper exercise of the State's reserved police power." The enforceability of the 1978 State Covenant is subject to various factual requirements and legal uncertainties and there can be no assurance that any purchaser seeking to enforce the 1978 State Covenant will be able to meet such factual requirements or that such legal uncertainties will be resolved in favor of such enforcement.

PART 13—MANAGEMENT

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

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

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

<table>
<thead>
<tr>
<th>Directors*</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix G. Rohatyn, Chairman(1)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Francis J. Barry(2)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>George M. Brooker(2) (3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>Thomas D. Flynn(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>George D. Gould(2)</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Andrew P. Steffan(2) (5)</td>
<td>December 31, 1980</td>
</tr>
<tr>
<td>Robert C. Weaver</td>
<td>December 31, 1980</td>
</tr>
</tbody>
</table>

55
Representatives (4)

Zane Klein . . . . . . . . Appointed by the City Board of Estimate
Edward M. Kresky (5) . Appointed by the President Pro-Tem of the State Senate
Jules V. Lane . . . . . . . . Appointed by the Minority Leader of the State Assembly
Leonard Nadel . . . . . . . . Appointed by the Speaker of the State Assembly
(Vacant) . . . . . . . . . . . Appointed by the Vice-Chairman of the City Council
Robert W. Seavey . . . . . Appointed by the Minority Leader of the State Senate
Sanford I. Well (5) . Designated representative of the State Comptroller

Eugene Keilin is the Executive Director of the Corporation. (6)

* There is presently one vacant seat on the Board.

(1) Mr. Rohatyn has announced his intention to resign as Chairman and it is expected that he will be leaving the Corporation in the near future.

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

(3) Mr. Brooker and Mr. Flynn are continuing to serve as directors until reappointed or until their respective successors have been appointed and qualified.

(4) 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.

(5) Smith Barney, Harris Upham & Co., Inc., with which Mr. Steffan is affiliated is a managing underwriter in connection with the sale of the 1978 Series 10 Bonds; Wertheim & Co., Inc., and Shearson Hayden Stone, Inc., with which Messrs. Kresky and Well, respectively, are affiliated, may act as underwriters in connection with the sale of the 1978 Series 10 Bonds.

(6) Mr. Keilin has stated his intention to resign as Executive Director in the near future.

FELIX G. ROHATYN, Chairman. Mr. Rohatyn is a General Partner of Lazard Frères & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Eastern Air Lines, Inc., Engelhard Minerals & Chemicals Corporation, Howmet Turbine Components Corporation, International Telephone and 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, 50, 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 ILA of the AFL-CIO. He is a member of the Advisory Committee to the New York City Convention and Exhibition Corporation. He is a member of the Control Board. Mr. Barry, 71, is a resident of New York City.

GEORGE M. BROOKER. Mr. Brooker has been a principal stockholder and Secretary-Treasurer of Webb & Brooker, Inc., a real estate management and brokerage firm, since 1969. He is Vice-President of the Greater New York Institute of Real Estate Management. He is Chairman of the Board of Directors of the New York Urban League. He is a director of the DuBois Memorial Foundation, a member of the Board of Governors of the Real Estate Board of New York and the Realty Advisory Board of New York. He is also a member of the Board of Governors of the Carver Democratic Club of New York City. He is a member of the Management Council, National Center Housing Management of Washington, D.C. and a director of the Realty Foundation of New York. Mr. Brooker, 52, is a resident of Pelham Manor, New York.

THOMAS D. FLYNN. Mr. Flynn was, until October 1975, a partner in Arthur Young & Company, an international accounting firm, and Vice-Chairman of its Management Committee. He served as President of the American Institute of Certified Public Accountants ("AICPA") for the year 1964-1965. In 1970, he was the recipient of an AICPA Gold Medal Award for Distinguished Service to the Accounting Profession, the highest honor awarded by the AICPA. He is a Trustee of Columbia University. He is Director Emeritus of the National Bureau of Economic Research, Inc. He is also
a Trustee of American Savings Bank. He is a member of the Board of Directors of Household Finance Corporation, and Chairman of the Audit Committee. Mr. Flynn, 65, 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, 51, 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. He is a member of the Municipal Securities Rulemaking Board, the Governor's Consultants Advisory Panel on School Finance and the Governor's Panel on the Future of Government in New York. Mr. Netzer, 50, is a resident of New York City.

ANDREW P. STEFFAN. Mr. Steffan is a Vice President in the Corporate Finance Department of Smith Barney, Harris Upham & Co. From 1972 until 1976 he was on the staff of the Securities and Exchange Commission and became the Agency's Director of Economic Policy Research. He is a member of the Executive Committee of the New York District of the Securities Industry Association. Mr. Steffan, 40, is a resident of New York City.

ROBERT C. WEAVER. Dr. Weaver is Distinguished Professor Emeritus of Urban Affairs at Hunter College since 1970. From 1966 through 1968, he was Secretary of the United States Department of Housing and Urban Development and from 1968 through 1970 was President of Bernard M. Baruch College. He is a Trustee of the Metropolitan Life Insurance Co. and the Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver, 70, is a resident of New York City.

ZANE KLEIN, Representative. Mr. Klein has been a member of the law firm of Berlack, Israels & Liberman, New York, New York, since 1968. He is a member of the City Comptroller's Technical Debt Management Committee and a member of the Advisory Committee to the City Office of Telecommunications. He has also served on advisory panels with respect to equity and real estate investments of the employee pension systems of the City and is active in civic and community affairs. Mr. Klein, 41, is a resident of New York City.

EDWARD M. KRESKY, Representative. Mr. Kresky is a General Partner of Wertheim & Co., investment bankers. He has been with Wertheim since 1971. From 1965 through 1971, he served as Secretary to the Metropolitan Transportation Authority of New York State. He is a member of the Boards of Security Mutual Life Insurance Company of New York and the New York State Council on the Arts and of the Council of the National Municipal League. From 1972 to 1973 he was a member of the Governor's Task Force on Financing Higher Education in New York State. Mr. Kresky serves as an observer to the Control Board. Mr. Kresky, 54, is a resident of New York City.

JULES V. LANE, D.D.S., Representative. Dr. Lane is president and Chairman of the Board of the American Medical Insurance Company in Hicksville, New York which was formed in 1964. He is Vice President of Lisadent, Inc., President of Lane Brokerage and Jules and Linda Lane Realty Company. Dr. Lane is a Board member of the Century National Bank and Trust Company, member of the Board of Governors of the New York Cardiac Center and Membership Chairman of the Young Presidents Organization. Dr. Lane, 48, lives in Sands Point, New York.
Leonard Nadel, Representative. Mr. Nadel, who was Senior Vice President of Abraham & Strauss, a division of Federated Department Stores, Inc., until March 1978, had established his own management consulting firm, Leonard Nadel Associates Inc., in New York City in April 1978. He is Chairman of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish-Hillside Medical Center, Vice-Chairman of the Downtown Brooklyn Development Association and he was President of the Brooklyn Chamber of Commerce. Mr. Nadel, 57, is a resident of Roslyn, New York.

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

Sanford I. Weill, Representative. Mr. Weill is Chairman and Chief Executive Officer of Shearson Hayden Stone, Inc., an international investment banking firm, of which he was a founder in 1960. He has served as a director of numerous corporations and currently is on the Board of the Arlen Realty & Development Corp. He is a member of the New York Society of Security Analysts, Midwest Stock Exchange, Chicago Board of Trade and Young Presidents Organization, Inc. In January 1976, he was appointed by the Governor of New York to the Securities Industry Task Force. He is a member of the President's Council of Brandeis University. Mr. Weill, 45, is a resident of New York City.

Eugene Keilin, Executive Director. Mr. Keilin, Executive Director of the Corporation, was employed by the City from 1971 until he joined the Corporation on October 1, 1976. From 1973 to 1975 he served as General Counsel of the City's Office of Management and Budget and from 1975 to October 1976 he was counsel to the City's first Deputy Mayor for Finance. Prior to his employment by the City, Mr. Keilin was associated with the New York law firm of Sage, Gray, Todd & Sims. Mr. Keilin, 36, 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.

PART 14—LITIGATION

The Corporation is not party to any litigation. Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions. Recent court actions have upheld the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations.

Although the Corporation is not a party to the following actions, such actions relate to the 1978 Amendments.

58
On June 5, 1978, the president of the Patrolmen's Benevolent Association of the City of New York (the "PBA"), on behalf of the membership of the PBA, commenced an action in State Supreme Court against the State, the City, and the City's Office of Collective Bargaining, seeking an injunction against the enforcement of an act of June 2, 1978 (Chapter 201 of the Laws of 1978) ("Chapter 201"), including most of the 1978 Amendments, on the grounds, among others, that it violates both the due process and equal protection clauses of the State and Federal Constitutions and that it was enacted in a procedurally defective manner. Chapter 201 also includes amendments to the Emergency Act and to a number of other laws relating to the City's finances. See "PART 1—INTRODUCTION—Recent Legislation Related to the Corporation" and "PART 10—Legislation and Agreements Relating to the Debt Issuance Plan."

The plaintiffs' attack on Chapter 201 is directed primarily at the section of Chapter 201 which amends the statutory procedures in the Emergency Act for the settlement of deadlocked contract negotiations between the City and its employees and requires that the City's ability to pay any settlement within the tax structure then in effect be considered by the arbitrator. Plaintiffs have argued, in part, that the whole of Chapter 201 is invalid because it is a "special" law "in relation to the property, affairs or government" of New York City that was not enacted in accordance with the so-called "home rule" procedural requirements of the State Constitution.

Although the Corporation is not a party to this action, an adverse decision with respect to the validity of Chapter 201 as a whole or in part in any material respect would result in an event of default under the Guarantee Agreement thereby authorizing the United States to exercise its rights pursuant to the terms of that agreement. In addition such a decision would be likely to seriously impair the ability of the Corporation and of the City to implement the Debt Issuance Plan. A decision invalidating only the specifically challenged section of Chapter 201 might jeopardize the City's ability to adhere to balanced budgets and thus threaten the successful implementation of the Debt Issuance Plan.

On June 5, 1978, plaintiffs' application for a temporary restraining order was denied, plaintiffs' motion for a preliminary injunction, on which the Corporation filed a brief in opposition as amicus curiae, was submitted in September 1978. A decision on such motion and on the defendants' cross motions to dismiss and for summary judgment is pending.

In addition, on August 17, 1978, David Basile, on behalf of himself and all other police officers of the City similarly situated, commenced an action in State Supreme Court against the PBA and the City seeking injunctive and declaratory relief with respect to the enforcement of a two year labor contract executed by and between the City and the PBA on the ground, among others, that the enactment of the collective bargaining provisions of Chapter 201 "served to unconstitutionally chill the right of defendant PBA to invoke the provisions of Section 209 of the Civil Service Law" (dealing with the resolution of disputes in the course of collective bargaining).

PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

Following is a summary of certain provisions of the Second General Bond Resolution (herein referred to as the "Resolution"). The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Resolution, to which reference is hereby made and copies of which are available from the Corporation. The Capital Reserve Aid Fund is referred to hereinafter as the "Capital Reserve Fund."

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 Resolution for such purposes, any unpaid and matured amounts of principal and interest on the Bonds or such larger amounts as may hereafter be authorized pursuant to the Act as amended from time to time.

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

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

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

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

"Outstanding", when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Resolution, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106 of the Resolution, and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401 of the Resolution.

"Outstanding Note Resolutions" shall mean those 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, as the same may be amended from time to time.

"Redemption Price" shall mean, with respect to any Bonds, 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 such Bonds were 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.

* No such Outstanding Notes are presently outstanding.
“Serial Bonds” shall mean the Bonds so designated in a Series Resolution.

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

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

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

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

“State” shall mean the State of New York.

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

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

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

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

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

Authorisation 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 “PART 5—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 additional Series of Bonds 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 such other taxes shall be taken into account in such certification by increasing or decreasing the estimated amount of Sales Tax, Stock Transfer Tax or such other taxes to be levied and collected. In the event the Sales Tax or such other taxes have not been in effect for 12 calendar months said Commissioner shall use, respectively, collections of the sales and compensating use taxes previously imposed by the City or collections of the tax similarly based to the other taxes referred to above if such tax was previously imposed by the City as the amount to be certified in lieu of actual collections of the Sales Tax or other taxes, for those months the Sales Tax or other taxes were not in effect;

(2) A certificate by 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 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 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 Effected by the Resolution

The proceeds of sale of the Bonds, the Revenues, and all Funds established by the Resolution, and other moneys and securities referred to therein are pledged for the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The pledge created by the Resolution insofar as it relates to revenues, moneys and securities and funds pledged either under the First General Bond Resolution or the Outstanding Note Resolutions is and is expressly declared to be, subordinate in all respects to the pledge of such revenues, moneys and securities and funds created by the First General Bond Resolution or the Outstanding Note Resolutions.

(Resolution, Section 601)

Establishment of Funds

The Resolution establishes the following Funds:

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

(2) Capital Reserve Fund, which is held by the Trustee.

(Resolution, Section 602)

Application of Payments

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

(Resolution, Section 603)

**Operating Fund**

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

(Resolution, Section 604)

**Bond Service Fund**

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

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

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

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

(Resolution, Section 605)

**Capital Reserve Fund**

1. The Corporation shall deposit into the Capital Reserve Fund (sometimes referred to as the "Capital Reserve Aid Fund") (i) all moneys paid to the Corporation pursuant to subdivisions 1, 2 and 3 of Section 3036-a of the Act for the purpose of maintaining or restoring the amount in such Fund to the Capital Reserve Fund Requirement; (ii) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by a Series Resolution authorizing the issuance thereof; and (iii) any other 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), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor, with a copy of such Certificate 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 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 the Corporation 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, 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 “PART 5—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. Except to the extent otherwise provided in Section 601, 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 “PART 12—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, 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 Section 304 and Sections 306 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 therein 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 202 after making the deductions provided in subparagraphs 3(a) and 3(c) to be less than 1.2 times such aggregate amount set forth in paragraph 3(b) of subsection 3 of Section 202 for each Fiscal Year set forth pursuant to said paragraph 3(b) if such certifications required to be made pursuant to such subsection 3 had been made at the time of the issuance of such Bonds, Notes or other Obligations.

The Corporation 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. Except as provided in Section 909, 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

66
(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 Fund; 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 (c) or (d) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds; or

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

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

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

(Resolution, Section 1202)

Remedies

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

(Resolution, Section 1201)

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202 of the Resolution, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c), (d), (e), (f), (g) or (h) of said Section, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its
rights and the rights of the Bondholders by such one or more of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

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

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

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

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

(Resolution, Section 1203)

Priority of Payments After Default

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

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

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

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

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over 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 Bonds may be issued, paid or redeemed; to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to confirm as further assurance any pledge under and the subject 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 or 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 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 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 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.

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

PART 16—TRUSTEE

United States Trust Company of New York (the "Trust Company") is 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 First and Second General Bond 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 "PART 15—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, the Trust Company, which is a Commercial Bank and a party to the Financing Agreement, owns $ of First Resolution Bonds and $ of Second Resolution Bonds for its own account, including 1978 Private Series Bonds purchased in November 1978 pursuant to the Financing Agreement. 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.

PART 17—LEGAL INVESTMENT

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

PART 18—TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 Bonds is exempt from Federal income taxes, and shall at all times be free from State and City income taxes.

PART 19—LEGAL OPINIONS

All legal matters incident to the authorization, issuance, sale and delivery of the 1978 Series 10 Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. The approving opinion of Bond Counsel 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.

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

PART 20—UNDERWRITING

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1978 Series 10 Bonds from the Corporation at a discount equal to % from the initial public offering price. The underwriters may offer to sell such 1978 Series 10 Bonds to certain dealers and others at prices lower than the initial public offering price and the public offering price may be changed from time to time by the underwriters. The Corporation has agreed to indemnify the underwriters against certain liabilities.

Commercial Banks, some of which are also underwriters, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others. However, such banks and the Pension Funds have agreed not to sell, offer to sell, or otherwise dispose of any of the Private Series Bonds to be received by them pursuant to the Financing Agreement for a period of days after delivery of the 1978 Private Series Bonds, without the consent of the Corporation and the underwriters.
PART 21—FINANCIAL STATEMENTS

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 un audited financial statements of the Corporation for the quarter ended September 30, 1978 are annexed hereto. The accompanying statements for the quarter ended September 30, 1978 do not give effect to the receipt of $68.9 million and $51.0 million of sales tax allocations certified to and paid to the Corporation by the State from the Municipal Assistance Tax Fund on October 12, 1978 for the purposes provided in the First and Second General Bond Resolutions, respectively.

* * *

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 Federal Guarantee Act, the Pension Legislation, the Emergency Act, the 1978 Amendments, the Tax Law, the Finance Law, the Agreements, the First and Second General Bond Resolutions, and Series Resolutions promulgated thereunder, are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such Acts, Laws, Agreements and Resolutions for full and complete statements of such provisions. Copies of such Acts, Laws, Agreements and Resolutions are available at the office of the Corporation.

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By

Chairman

73
REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

In our opinion, the accompanying Statement of Financial Position and the related Debt Service Fund, Capital Reserve Fund and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1978 and the Debt Service Fund, Capital Reserve Fund and Operating Fund transactions for the year then ended, in conformity with generally accepted accounting principles consistently applied. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

153 East 53rd Street
New York, N. Y. 10022
July 24, 1978

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

#### STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt Service Fund</td>
<td>Operating Fund</td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First General Resolution Bonds</td>
<td>$3,132,388,000</td>
<td></td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>1,973,970,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BONDS PAYABLE</strong></td>
<td>5,106,358,000</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>108,345,682</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td></td>
<td>$200,910</td>
</tr>
<tr>
<td>Advances under First Instance Appropriation</td>
<td>713,426</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
<td>1,134,841</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>5,214,703,682</td>
<td>2,049,177</td>
</tr>
</tbody>
</table>

|                      |                |                  |
| **ASSETS:**          |                |                  |
| Cash                 | 16,240         | 17,304           | 12,402           | 14,017           |
| Investments in marketable securities, at cost which approximates market value | 195,657,472 |                  | 80,400,139      |                  |
| Accrued interest on marketable securities | 2,090,711 |                  | 959,126          |                  |
| Capital Reserve Fund assets | 387,200,557 |                  | 394,225,268      |                  |
| Unexpended portion of allocated funds held by New York State |                  | 2,980,616        |                  | 6,780,026        |
| **TOTAL ASSETS**     | 584,964,980   | 2,997,920        | 475,596,935      | 6,794,043        |
| Net funding require- | $4,629,738,702 | ($948,743)       | $4,713,412,876   | ($4,182,207)     |
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

DEBT SERVICE AND CAPITAL RESERVE FUND

STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt Service Fund</td>
<td>Capital Reserve Fund</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Unaudited)</td>
</tr>
<tr>
<td></td>
<td>Debt Service Fund</td>
<td>Capital Reserve Fund</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Unaudited)</td>
</tr>
<tr>
<td>Receipts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount of bonds and promissory notes issued</td>
<td>$3,154,458,000</td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The City of New York notes received in exchange for Second General Resolution Bonds</td>
<td>819,230,000</td>
<td></td>
</tr>
<tr>
<td>First General Resolution Bonds refunded</td>
<td>1,549,583,000</td>
<td></td>
</tr>
<tr>
<td>Deposit for defeasance</td>
<td>243,381,175</td>
<td></td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>10,673,825</td>
<td></td>
</tr>
<tr>
<td>Net proceeds from issuance of bonds and notes</td>
<td>531,590,000</td>
<td>$196,100,000</td>
</tr>
<tr>
<td>Transfer to Capital Reserve Fund</td>
<td>(196,100,000)</td>
<td>$196,100,000</td>
</tr>
<tr>
<td>Sales tax allocations received from the State of New York</td>
<td>328,800,000</td>
<td></td>
</tr>
<tr>
<td>Per capita aid received from the State of New York</td>
<td>337,000,000</td>
<td></td>
</tr>
<tr>
<td>Interest adjustment pursuant to Restructuring Agreement</td>
<td>1,966,228</td>
<td></td>
</tr>
<tr>
<td>Accrued interest received on issuance of bonds</td>
<td>1,034,132</td>
<td></td>
</tr>
<tr>
<td>Income from investments</td>
<td>9,663,394</td>
<td>23,256,454</td>
</tr>
<tr>
<td>Interest received on obligations of The City of New York</td>
<td>76,181,656</td>
<td>11,220,000</td>
</tr>
<tr>
<td>Total receipts</td>
<td>1,090,135,410</td>
<td>219,356,454</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursements to The City of New York</td>
<td>380,641,989</td>
<td></td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal repayment on First General Resolution Bonds</td>
<td>55,465,000</td>
<td>64,023,116</td>
</tr>
<tr>
<td>Interest on First General Resolution Bonds</td>
<td>248,395,896</td>
<td></td>
</tr>
<tr>
<td>Principal repayment on Second General Resolution Bonds</td>
<td>33,745,000</td>
<td></td>
</tr>
<tr>
<td>Interest on Second General Resolution Bonds</td>
<td>149,838,162</td>
<td>39,969,734</td>
</tr>
<tr>
<td>Principal repayment on promissory notes</td>
<td>335,490,000</td>
<td></td>
</tr>
<tr>
<td>Interest on promissory notes</td>
<td>1,147,100</td>
<td></td>
</tr>
<tr>
<td>Total debt service</td>
<td>824,081,158</td>
<td>103,992,850</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>1,204,723,147</td>
<td>103,992,850</td>
</tr>
<tr>
<td>Excess (deficiency) of receipts over expenditures:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For the period</td>
<td>(114,587,737)</td>
<td>219,356,454</td>
</tr>
<tr>
<td>Transfer from Operating Fund</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>At beginning of period</td>
<td>202,506,478</td>
<td>167,844,103</td>
</tr>
<tr>
<td>At end of period</td>
<td>89,418,741</td>
<td>387,200,557</td>
</tr>
<tr>
<td>Principal amount of bonds payable</td>
<td>5,106,358,000</td>
<td>5,106,358,000</td>
</tr>
<tr>
<td>Balance</td>
<td>(5,016,939,259)</td>
<td>387,200,557</td>
</tr>
<tr>
<td>Net funding requirement</td>
<td>$4,629,738,702</td>
<td>$4,713,412,876</td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

OPERATING FUND

STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
<td></td>
</tr>
<tr>
<td>Receipts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>$4,232,386</td>
<td>$4,406,500</td>
</tr>
<tr>
<td>Expenditures:</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>774,127</td>
<td>4,046</td>
</tr>
<tr>
<td>Legal services</td>
<td>934,211</td>
<td>248,431</td>
</tr>
<tr>
<td>Trustee and related services</td>
<td>640,744</td>
<td>92,020</td>
</tr>
<tr>
<td>Total</td>
<td>2,349,082</td>
<td>344,497</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Special Deputy Comptroller</td>
<td>(1,094,615)</td>
<td>342,635</td>
</tr>
<tr>
<td>Financial Control Board</td>
<td>532,815</td>
<td>233,311</td>
</tr>
<tr>
<td>Total</td>
<td>(561,800)</td>
<td>575,946</td>
</tr>
<tr>
<td>General and administration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel services—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>275,858</td>
<td>82,114</td>
</tr>
<tr>
<td>Other personnel services</td>
<td>140,603</td>
<td>54,847</td>
</tr>
<tr>
<td>Accountancy services</td>
<td>58,217</td>
<td>25,000</td>
</tr>
<tr>
<td>Office rental</td>
<td>54,338</td>
<td>19,295</td>
</tr>
<tr>
<td>General office expenses</td>
<td>32,493</td>
<td>8,558</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>6,727</td>
<td>2,607</td>
</tr>
<tr>
<td>Communications</td>
<td>14,270</td>
<td>2,983</td>
</tr>
<tr>
<td>Data processing services</td>
<td>52,653</td>
<td>27,633</td>
</tr>
<tr>
<td>Printing and distribution</td>
<td>46,840</td>
<td>29,556</td>
</tr>
<tr>
<td>Total</td>
<td>681,999</td>
<td>252,593</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>2,469,281</td>
<td>1,173,036</td>
</tr>
<tr>
<td>Excess of receipts over expenditures for the period</td>
<td>1,763,105</td>
<td>3,233,464</td>
</tr>
<tr>
<td>Transfer to Debt Service Fund</td>
<td>(1,500,000)</td>
<td></td>
</tr>
<tr>
<td>Excess of receipts over expenditures at beginning of period</td>
<td>685,638</td>
<td>948,743</td>
</tr>
<tr>
<td>Excess of receipts over expenditures at end of period</td>
<td>$948,743</td>
<td>$4,182,207</td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS

(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 1—Organization and Functions of the Corporation:

Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate 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 for purposes of assisting The City of New York (the "City") in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. Pursuant to said act, as amended (the "Act") to carry out such purposes, the Corporation, among other things, issues and sells bonds and notes and pays or loans funds received from such sales to the City and exchanges the Corporation's obligations for those of the City, each under conditions specified in the Act. Also pursuant to the Act, the Corporation provides for certain oversight of the City's financial activities.

Note 2—Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting. Receipts from tax allocations are recorded as received and disbursements to the City are recorded as made. Interest income on investments and interest expense on the Corporation's debt are recorded on the accrual basis. The Corporation's debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund and become part of net funding requirements. Amounts required for the payment of debt service due on July 1 and January 1 are accounted for as if paid on the immediately preceding June 30 and December 31, respectively, by which dates such amounts are segregated for that purpose by the Trustee under the bond resolutions. The net funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

The Operating Fund accounts have been prepared on the accrual basis of accounting. Receipts are recorded in the Operating Fund as allocations are approved by the State. Expenses of debt issuance and service are charged to the Operating Fund as incurred.

The Statement of Financial Position gives no recognition to obligations of the City held by the Corporation as described in Note 6. Interest on such obligations is credited if and when received.

Note 3—Bonds of the Corporation: Funding, Payment and Authorization:

Funding methods:

The Corporation funds its debt service requirements and operating expenses by receipt of allocations from the State's collection of sales tax (imposed by the State within the City at the rates formerly imposed by the City), the stock transfer tax and certain per capita aid, subject in each case to appropriation by the State Legislature. Net collections of taxes and per capita aid not required by the Corporation are available to the City.

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

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the special account in the State's Municipal Assistance Tax Fund, which is funded from revenues collected, less the State's charges for collection and administration, from the sales tax and, if necessary, the stock transfer tax. The net revenues from sales and stock transfer taxes which were collected by the State during the twelve months ended June 30, 1978 and September 30, 1978 amounted to $1,275 million and $1,329 million, respectively. Payments made to the Corporation from the Municipal Assistance Tax Fund are to be made quarterly and at such other times as the Corporation requests.

F-5
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 3—Bonds of the Corporation: Funding, Payment and Authorization (Continued):

Debt service for obligations issued under the Second General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the special account in the Municipal Assistance State Aid Fund, which is funded from per capita state aid otherwise payable by the State to the City, and, after satisfying the debt service requirements for obligations issued under the First General Bond Resolution as described above, funds paid quarterly from the Municipal Assistance Tax Fund. Per capita aid is subject to prior claims asserted by certain other State or City entities; however, no such claims have been asserted since the inception of the Corporation. Total per capita aid paid into the Municipal Assistance State Aid Fund on June 25, 1978 amounted to $434 million.

The Corporation certified to and was paid on October 12, 1978, $68.9 million and $51.0 million of sales tax revenues from the Municipal Assistance Tax Fund for First and Second General Bond Resolution purposes, respectively.

Payment dates:

Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semiannually on February 1 and August 1 for bonds outstanding under the First General Bond Resolution. Principal payments at maturity or mandatory sinking fund calls are made July 1 and interest is paid semiannually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution.

Debt authorization:

The Corporation is authorized by the Act to issue obligations in an aggregate principal amount of $8,800 million, exclusive of obligations issued to refund outstanding obligations of the Corporation and notes issued to enable the City to fulfill its seasonal borrowing requirements. Pursuant to the Act new obligations of the Corporation may mature up to 30 years from the date of original issue but in no event later than July 1, 2008 and no new obligation may be issued after June 30, 1982, except to renew or refund outstanding obligations. Pursuant to various resolutions of the Corporation no obligations may be issued if their issuance would cause certain debt service limitations and debt service coverage ratios to be exceeded.

The Corporation is participating in discussions to implement a debt issuance plan required in connection with the Four-Year Financial Plan developed for The City of New York. It is currently contemplated that in furtherance of the debt issuance plan the Corporation will issue in excess of $2 billion of its bonds and notes during the next four years commencing during the quarter ending December 31, 1978, all in accordance with the above stated limitations.

Note 4—Capital Reserve Fund:

The Act provides for the establishment of a Capital Reserve Fund to provide security for payment of interest on and principal of the Corporation's bonds. The amount required to be on deposit in the Capital Reserve Fund for any calendar year is a fixed percentage of principal (including sinking fund installments) and interest maturing or otherwise due or becoming due on outstanding bonds during a specified calendar year. For 1978, 1979 and 1980 the percentages are 50%, 75% and 100% of such year's requirements, respectively. Following 1980, the percentage is 100% of the succeeding year's requirements.

Investments in the Capital Reserve Fund are recorded at amortized cost, which exceeded market value by approximately $29 million at June 30, 1978 and September 30, 1978. The Capital Reserve Fund balance at June 30, 1978 of $387,200,557 comprised $175,040,917 relating to First General Resolution Bonds and $212,159,640 relating to Second General Resolution Bonds. The Capital Reserve F-6
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 4—Capital Reserve Fund (Continued):

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

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 1978</th>
<th>September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$18,585</td>
<td>$696</td>
</tr>
<tr>
<td>U.S. Treasury Bonds and Notes maturing through May 1990</td>
<td>196,874,798</td>
<td>196,730,180</td>
</tr>
<tr>
<td>Other permitted investments maturing through November 1993</td>
<td>182,839,046</td>
<td>187,798,230</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>7,468,128</td>
<td>9,696,162</td>
</tr>
<tr>
<td>Total</td>
<td>$387,200,557</td>
<td>$394,225,268</td>
</tr>
</tbody>
</table>

Note 5—Investments in Marketable Securities:
Debt service funds paid to the Corporation in advance of disbursement to bondholders are temporarily invested for the Corporation by the Trustee under the bond resolutions, and the income therefrom is credited to the Debt Service Fund. Proceeds of debt issues may also be temporarily invested for the Corporation by the Trustee.

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

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 1978</th>
<th>September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Bills maturing through July 1978</td>
<td>$2,301,358</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Notes maturing through January 1979</td>
<td>73,038,114</td>
<td>$28,917,111</td>
</tr>
<tr>
<td>Other permitted investments maturing through January 1979</td>
<td></td>
<td>42,729,028</td>
</tr>
<tr>
<td>Repurchase Agreements maturing through:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1978</td>
<td>120,318,000</td>
<td></td>
</tr>
<tr>
<td>October 1978</td>
<td></td>
<td>8,754,000</td>
</tr>
<tr>
<td>Total Debt Service Fund investments</td>
<td>$195,657,472</td>
<td>$80,400,139</td>
</tr>
</tbody>
</table>

Note 6—New York City Notes Held By the Corporation:
As a result of certain exchanges and payments to the City, at June 30, and September 30, 1978, the Corporation held $4,236 million of notes of the City. It is the Corporation's present intention that City notes held will not be presented for payment of principal or interest, except that bond anticipation notes held by the Corporation will be presented for payment of interest and that certain bond anticipation notes may be exchanged for newly issued bond anticipation notes or bonds of The City of New York. During the quarters ended June 30, and September 30, 1978 the Corporation received approximately $76.2 million and $11.2 million, respectively, from the City as payment of interest due on bond anticipation notes held by the Corporation. Any amounts received as payment on City notes have the effect of reducing the amounts to be funded from the Corporation's other sources. The Corporation, in making its certification for funds, is required to exclude from consideration any amounts its expects to receive as payment on City notes until such amounts are received. Accordingly, the City notes held have not been included in the accompanying Statement of Financial Position.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 7—Operating Fund:

The Operating Fund provides for the expenses of carrying out the Corporation's duties and functions, as authorized by the Act. The Operating Fund is funded from the special account in the Municipal Assistance Tax Fund. The amount certified to for Operating Fund purposes for the 1978 fiscal year of the Corporation was $7 million.

For the fiscal year ended June 30, and the quarter ended September 30, 1978, $4,232,386 and $4,406,500, respectively, of funds from the State had been allocated to the Corporation for Operating Fund purposes. At September 30, 1978, $4,271,539 of funds allocated in fiscal year 1979 and $2,191,092 allocated in previous fiscal years had not been expended and were held for the Corporation's account by the State.

In addition, the Corporation may request and utilize repayable First Instance Appropriations from the State. The amount of these appropriations remaining to be repaid to the State from operating expense apportionments was $713,246 at June 30, 1978 and $735,538 at September 30, 1978.

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

Pursuant to an agreement among the Corporation, the City, the New York State Office of the Special Deputy Comptroller for The City of New York (the “OSDC”) and the State Comptroller, the Corporation has no liability for expenses related to the OSDC services for the period June 10, 1975 to December 31, 1977. Accordingly, a reduction in the applicable expense and estimated liability accounts of $2,429,613 has been recognized during the 1978 fiscal year representing expenses accrued for the OSDC services which will not be payable.

On January 31, 1978, the Corporation made a permanent transfer of $1,500,000 from the Operating Fund to the Debt Service Fund.

Note 8—Litigation:

Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions.

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 OSDC and the Emergency Financial Control Board. To avoid duplication of efforts, the Corporation has contracted for the OSDC to provide certain services for the oversight of the City's financial affairs. The accompanying financial statements include a provision for the Corporation's estimate of the amount payable to the OSDC for services pursuant to the contract as amended.

In addition, the Corporation has contracted for other oversight services to be performed by the staff of the Emergency Financial Control Board, renamed in recently enacted legislation the Financial Control Board (“FCB”), at an annual cost not to exceed $550,000. Recently enacted legislation provides that the Corporation fund the operations of the FCB; it is expected that a new agreement will be entered into between the Corporation and the FCB to implement this provision.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 10—Refunding and Defeasance of 1975 Series B Bonds:

On January 10, 1978, the Corporation issued its 1978 Series JJ Bonds in the aggregate principal amount of $250,155,000. Substantially all of the net proceeds of the issue were invested in direct obligations of the United States of America which are held in trust with the United States Trust Company of New York. The proceeds held in trust and the income from investment thereof are sufficient to pay principal and interest when due on the 1975 Series B Bonds. As a result, the 1975 Series B Bonds are deemed to have been paid within the meaning of the First General Bond Resolution and are therefore no longer presented as a liability of the Corporation.

Note 11—Promissory Notes, 1978 Series:

On June 9, 1978 the Corporation issued $335,490,000 principal amount of Promissory Notes due June 30, 1978 to certain New York City Pension Funds. The proceeds of such sale were paid immediately to the City. The Corporation prepaid principal of and interest on such notes on June 29, 1978 in full satisfaction of its obligations.
### Municipal Assistance Corporation for the City of New York

**Bonds Outstanding**

*(In thousands)*

**September 30, 1978**

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption date</th>
<th>Interest rate</th>
<th>Principal June 30, 1978</th>
<th>Principal September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>February 1:</td>
<td>1979-1990</td>
<td>7.5%-9.25%</td>
<td>$470,260 $470,260</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1979-1985</td>
<td>9.5%-11%</td>
<td>42,210 42,210</td>
</tr>
<tr>
<td>G</td>
<td></td>
<td>1984-1985</td>
<td>11%</td>
<td>1,090 1,090</td>
</tr>
<tr>
<td>J</td>
<td></td>
<td>1980-1995</td>
<td>10%-11%</td>
<td>81,050 81,050</td>
</tr>
<tr>
<td>M</td>
<td></td>
<td>1990-1994</td>
<td>11%</td>
<td>25,000 25,000</td>
</tr>
<tr>
<td>O</td>
<td></td>
<td>1986-1990</td>
<td>11%</td>
<td>40,000 40,000</td>
</tr>
<tr>
<td>U</td>
<td></td>
<td>1991-1994</td>
<td>11%</td>
<td>35,000 35,000</td>
</tr>
<tr>
<td>X</td>
<td></td>
<td>1981</td>
<td>10%</td>
<td>20,850 20,850</td>
</tr>
<tr>
<td>Y</td>
<td></td>
<td>1979-1986</td>
<td>6%</td>
<td>110,940 110,940</td>
</tr>
<tr>
<td>BB</td>
<td></td>
<td>1984-1993</td>
<td>10.25%</td>
<td>256,250 256,250</td>
</tr>
<tr>
<td>CC</td>
<td></td>
<td>1991-1995</td>
<td>7.5%</td>
<td>250,000 250,000</td>
</tr>
<tr>
<td>EE</td>
<td></td>
<td>1986</td>
<td>7.5%</td>
<td>53,475 53,475</td>
</tr>
<tr>
<td>FF</td>
<td></td>
<td>1987</td>
<td>8%</td>
<td>70,200 70,200</td>
</tr>
<tr>
<td>GG</td>
<td></td>
<td>1988-1995</td>
<td>7.5%</td>
<td>1,414,738 1,414,738</td>
</tr>
<tr>
<td>HH</td>
<td></td>
<td>1987</td>
<td>7.5%</td>
<td>11,170 11,170</td>
</tr>
<tr>
<td>II</td>
<td></td>
<td>1982-1995</td>
<td>7.25%-8.25%</td>
<td>250,155 250,155</td>
</tr>
<tr>
<td>JJ</td>
<td></td>
<td></td>
<td></td>
<td><strong>3,132,388</strong> <strong>3,132,388</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total First Resolution</strong></td>
<td></td>
<td></td>
<td><strong>3,132,388</strong> <strong>3,132,388</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Second General Resolution Bonds:</strong></td>
<td></td>
<td></td>
<td><strong>1,973,970</strong> <strong>1,973,970</strong></td>
</tr>
<tr>
<td></td>
<td>July 1:</td>
<td></td>
<td></td>
<td><strong>$5,106,358</strong> <strong>$5,106,358</strong></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>1979-1986</td>
<td>8%</td>
<td>77,205 77,205</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>1979-1986</td>
<td>8%</td>
<td>164,535 164,535</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>1979-1986</td>
<td>8%</td>
<td>67,555 67,555</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>1979-1986</td>
<td>8%</td>
<td>84,085 84,085</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>1982-1991</td>
<td>8%</td>
<td>139,860 139,860</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>1982-1991</td>
<td>8%</td>
<td>18,215 18,215</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>1980-1992</td>
<td>7.5%</td>
<td>200,000 200,000</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>1980-1992</td>
<td>7.5%</td>
<td>819,230 819,230</td>
</tr>
<tr>
<td></td>
<td><strong>Total Second Resolution</strong></td>
<td></td>
<td></td>
<td><strong>1,973,970</strong> <strong>1,973,970</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total bonds outstanding</strong></td>
<td></td>
<td></td>
<td><strong>$5,106,358</strong> <strong>$5,106,358</strong></td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS

September 30, 1973

(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30,</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
<th>Capital Reserve Fund Contributions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$311,836†</td>
<td>$195,703†</td>
<td>$507,539†</td>
<td>$53,471</td>
<td>$561,010†</td>
</tr>
<tr>
<td>1980</td>
<td>314,747</td>
<td>221,319</td>
<td>536,066</td>
<td>103,388</td>
<td>639,454</td>
</tr>
<tr>
<td>1981</td>
<td>303,083</td>
<td>220,614</td>
<td>523,697</td>
<td>1,298</td>
<td>524,995</td>
</tr>
<tr>
<td>1982</td>
<td>337,565</td>
<td>230,492</td>
<td>568,057</td>
<td>74,839</td>
<td>642,896</td>
</tr>
<tr>
<td>1983</td>
<td>376,356</td>
<td>253,715</td>
<td>630,071</td>
<td>(1,338)</td>
<td>628,733</td>
</tr>
<tr>
<td>1984</td>
<td>352,738</td>
<td>253,781</td>
<td>606,519</td>
<td>(44,474)</td>
<td>562,045</td>
</tr>
<tr>
<td>1985</td>
<td>353,662</td>
<td>252,761</td>
<td>606,423</td>
<td>48,977</td>
<td>655,400</td>
</tr>
<tr>
<td>1986</td>
<td>374,587</td>
<td>253,749</td>
<td>628,336</td>
<td>(7,270)</td>
<td>621,066</td>
</tr>
<tr>
<td>1987</td>
<td>372,257</td>
<td>256,646</td>
<td>628,903</td>
<td>(631)</td>
<td>628,272</td>
</tr>
<tr>
<td>1988</td>
<td>375,283</td>
<td>254,221</td>
<td>629,504</td>
<td>1,411</td>
<td>630,915</td>
</tr>
<tr>
<td>1989</td>
<td>376,167</td>
<td>251,719</td>
<td>627,886</td>
<td>(3,499)</td>
<td>624,387</td>
</tr>
<tr>
<td>1990</td>
<td>374,124</td>
<td>248,359</td>
<td>622,483</td>
<td>8,819</td>
<td>631,302</td>
</tr>
<tr>
<td>1991</td>
<td>373,160</td>
<td>250,428</td>
<td>623,588</td>
<td>(1,337)</td>
<td>622,251</td>
</tr>
<tr>
<td>1992</td>
<td>369,343</td>
<td>261,358</td>
<td>630,701</td>
<td>(274,649)</td>
<td>356,052</td>
</tr>
<tr>
<td>1993</td>
<td>365,501</td>
<td>365,501</td>
<td>731,002</td>
<td>69</td>
<td>365,570</td>
</tr>
<tr>
<td>1994</td>
<td>361,117</td>
<td>361,117</td>
<td>722,234</td>
<td>(9,048)</td>
<td>353,186</td>
</tr>
<tr>
<td>1995</td>
<td>178,382</td>
<td>178,382</td>
<td>356,764</td>
<td>(344,251)</td>
<td>(16,513)</td>
</tr>
<tr>
<td>Total</td>
<td>$5,869,908</td>
<td>$3,404,865</td>
<td>$9,274,773</td>
<td>($394,225)</td>
<td>$8,880,548</td>
</tr>
</tbody>
</table>

† The fiscal year 1979 funding requirements do not give effect to the moneys received on October 12, 1978 (Note 3).
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SUMMARY OF TOTAL ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS

September 30, 1978
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$173,756</td>
<td>$79,940</td>
<td>$253,696</td>
</tr>
<tr>
<td>1980</td>
<td>321,869</td>
<td>194,972</td>
<td>516,841</td>
</tr>
<tr>
<td>1981</td>
<td>307,624</td>
<td>220,039</td>
<td>527,663</td>
</tr>
<tr>
<td>1982</td>
<td>298,542</td>
<td>219,245</td>
<td>517,787</td>
</tr>
<tr>
<td>1983</td>
<td>376,587</td>
<td>228,811</td>
<td>605,398</td>
</tr>
<tr>
<td>1984</td>
<td>376,125</td>
<td>251,309</td>
<td>627,434</td>
</tr>
<tr>
<td>1985</td>
<td>329,351</td>
<td>251,169</td>
<td>580,520</td>
</tr>
<tr>
<td>1986</td>
<td>377,974</td>
<td>249,947</td>
<td>627,921</td>
</tr>
<tr>
<td>1987</td>
<td>371,200</td>
<td>250,676</td>
<td>621,876</td>
</tr>
<tr>
<td>1988</td>
<td>373,315</td>
<td>253,343</td>
<td>626,658</td>
</tr>
<tr>
<td>1989</td>
<td>377,251</td>
<td>250,690</td>
<td>627,941</td>
</tr>
<tr>
<td>1990</td>
<td>375,083</td>
<td>247,940</td>
<td>623,023</td>
</tr>
<tr>
<td>1991</td>
<td>373,165</td>
<td>244,330</td>
<td>617,495</td>
</tr>
<tr>
<td>1992</td>
<td>373,155</td>
<td>246,021</td>
<td>619,176</td>
</tr>
<tr>
<td>1993</td>
<td>365,531</td>
<td>256,404</td>
<td>621,935</td>
</tr>
<tr>
<td>1994</td>
<td>365,471</td>
<td></td>
<td>365,471</td>
</tr>
<tr>
<td>1995</td>
<td>356,763</td>
<td></td>
<td>356,763</td>
</tr>
<tr>
<td>Total</td>
<td>$5,892,762</td>
<td>$3,444,836</td>
<td>$9,337,598</td>
</tr>
</tbody>
</table>

F-12
EXHIBIT B

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

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

November 1978

DEAR SIRS:

We have examined a record of proceedings relating to the issuance of $125,000,000 aggregate principal amount of 1978 Series 10 Bonds (the "1978 Series 10 Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the "Act").

The 1978 Series 10 Bonds are authorized and issued under and pursuant to the Act and the Second General Bond Resolution of the Corporation, adopted November 25, 1975, as supplemented to the date hereof (the "Second General Bond Resolution"), and the 1978 Series 10 Resolution, adopted November 1978 (the "Series Resolution"). Said resolutions are herein collectively called the "Resolutions".

The 1978 Series 10 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 Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation to limit the issuance of additional bonds. The 1978 Series 10 Bonds are being issued for the purpose of making deposits into the Capital Reserve Fund established pursuant to the Act and the Second General Bond Resolution.

The Corporation is authorized to issue Bonds, in addition to the 1978 Series 10 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1978 Series 10 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second General Bond Resolution.

The 1978 Series 10 Bonds are dated November 15, 1978 except as otherwise provided in the Resolution with respect to fully registered 1978 Series 10 Bonds, will bear interest at the rate of per centum (%) per annum from November 15, 1978 payable July 1, 1979 and semi-annually thereafter on January 1 and July 1 in each year and will mature on July 1, 2008.

The 1978 Series 10 Bonds are issued either in coupon form in the denomination of $5,000, registrable as to principal only, or in fully registered form without coupons in the denomination of $5,000 or an integral multiple thereof. Coupon and fully registered 1978 Series 10 Bonds are interchangeable as provided in the Resolutions. Coupon 1978 Series 10 Bonds are numbered and fully registered 1978 Series 10 Bonds are lettered and numbered 10R-. Coupon 1978 Series 10 Bonds and fully registered 1978 Series 10 Bonds are numbered consecutively from one upward in order of issuance.

The 1978 Series 10 Bonds are subject to redemption, in part, as provided in the Resolutions, by operation of the Bond Service Fund through application of Sinking Fund Installments as defined
in the Second General Bond Resolution and in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each 1978 Series 10 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the 1978 Series 10 Bonds are subject to redemption at the election of the Corporation on and after July 1, 1988, as a whole on any date or in part, by lot, on any interest payment date, at the redemption prices (expressed as percentages of the principal amount), plus accrued interest, if any, to the date of redemption, as set forth in the Series Resolution.

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, the insertion 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 of New York, New York ("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 8 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 1978 Series 10 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1978 Series 10 Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the
United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the 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, except for the covenant on behalf of the State required to be set forth in each 1978 Series 10 Bond pursuant to Chapter 201 of the Laws of New York of 1978 (the "State Covenant") as to which a separate opinion has been rendered on the date hereof, and no other authorization for the Resolutions is required. The Resolutions create the valid pledge and lien which they purport to create of the revenues, monies, securities and funds held or set aside under the Resolutions, subject only to the application thereof to the purposes and on the conditions permitted by the Resolutions. The lien created by the Resolutions on such revenues, monies, securities and funds in the 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 subject to the pledge and lien created by the Resolutions.

3. The 1978 Series 10 Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The 1978 Series 10 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, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally, and, except as otherwise set forth with respect to the State Covenant as to which a separate opinion has been rendered on the date hereof, 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, 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 such term is defined in the Second General Bond Resolution), the Tax Assistance Fund into which is paid the Sales Tax, and to the extent required, out of the Stock
Transfer Tax Fund, the Stock Transfer Tax. The amount of per capita aid payable to The City and available for apportionment and payment from the General Fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds to the Corporation are subject to annual appropriation for such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate any such amounts so certified by the Chairman, as aforesaid.

6. The 1978 Series 10 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 1978 Series 10 Bonds be payable out of any funds other than those of the Corporation.

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

(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; and

(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 and the Special Tax Account within the Tax Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or accounts.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the per capita aid referred to hereinbefore or the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) wherein a creditor of The City or The City seeks to assert 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, neither The City nor such creditor will 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 applicable to 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 1978 Series 10 Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

11. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the 1978 Series 10 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1978 Series 10 Bonds, and the execution and delivery of the 1978 Series 10 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 1978 Series 10 Bond numbered 10-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,
SUPPLEMENT DATED NOVEMBER 17, 1978 TO OFFICIAL STATEMENT DATED NOVEMBER 17, 1978

NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 11 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.

$139,525,000

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

8 3/4% 1978 SERIES 11 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Due July 1, 1998

This Supplement to the Official Statement dated November 17, 1978 (the “Official Statement”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”) is provided for the purpose of setting forth information with respect to the Corporation’s 1978 Series 11 Bonds, which are to be purchased from the Corporation by certain Financial Institutions pursuant to the Financing Agreement, as more fully described in the Official Statement.

Principal of and interest on the 1978 Series 11 Bonds are payable at the corporate trust office of Citibank, N.A., New York, New York, or at the option of the holder at Bank of America NT & SA, San Francisco, California, unless registered. At the option of any Financial Institution, payment of the interest on fully registered 1978 Series 11 Bonds will be made pursuant to the Financing Agreement by check or wire transfer to such Financial Institution without presentation of the 1978 Series 11 Bonds and without any notation of such payment being required. Interest on the 1978 Series 11 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 11 Bonds will be issued as coupon bonds in the denomination of $5,000 or $100,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 11 Bonds, see “PART 1—INTRODUCTION” and the references included therein.

The 1978 Series 11 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot on any interest payment date or dates, at an initial redemption price of 102%, declining in increments of 1/2% per year to a redemption price of 100% on and after July 1, 1992, of the principal amount thereof, and from mandatory sinking fund installments on and after July 1, 1985 at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date, pursuant to the following schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
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</thead>
<tbody>
<tr>
<td>1985</td>
<td>$4,755,000</td>
</tr>
<tr>
<td>1986</td>
<td>$6,800,000</td>
</tr>
<tr>
<td>1987</td>
<td>$6,800,000</td>
</tr>
<tr>
<td>1988</td>
<td>$11,585,000</td>
</tr>
<tr>
<td>1989</td>
<td>$11,585,000</td>
</tr>
<tr>
<td>1990</td>
<td>$12,245,000</td>
</tr>
<tr>
<td>1991</td>
<td>$12,245,000</td>
</tr>
<tr>
<td>1992</td>
<td>$12,210,000</td>
</tr>
<tr>
<td>1993</td>
<td>$14,950,000</td>
</tr>
<tr>
<td>1994</td>
<td>$18,385,000</td>
</tr>
<tr>
<td>1995</td>
<td>$21,355,000</td>
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<tr>
<td>1996</td>
<td>$2,050,000</td>
</tr>
<tr>
<td>1997</td>
<td>$2,010,000</td>
</tr>
</tbody>
</table>

$139,525,000 8 3/4% Term Bonds due July 1, 1998 @ 98.075%
(Accrued interest to be added)

The average life of the 1978 Series 11 Bonds is approximately 13.1 years.

This Supplement must be read in conjunction with the Official Statement to which this Supplement is attached. Such Official Statement relates to the Corporation’s 1978 Series 10 Bonds. The 1978 Series 11 Bonds will be sold to certain of the Financial Institutions pursuant to the Financing Agreement.

Nothing in the Official Statement relating to underwriters or to an underwritten sale should be read as referring to the 1978 Series 11 Bonds.
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 12 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.

$60,375,000

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

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

8 3/4% 1978 SERIES 12 BONDS

(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978 Due July 1, 1998

This Supplement to the Official Statement dated November 17, 1978 (the “Official Statement”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”) is provided for the purpose of setting forth information with respect to the Corporation’s 1978 Series 12 Bonds, which are to be purchased from the Corporation by certain City Pension Funds pursuant to the Financing Agreement, as more fully described in the Official Statement.

Principal of and interest on the 1978 Series 12 Bonds are payable at the corporate trust office of Citibank, N.A., New York, New York, or at the option of the holder at Bank of America N.T.&S.A., San Francisco, California, unless registered. At the option of any City Pension Fund, payment of the interest on fully registered 1978 Series 12 Bonds will be made pursuant to the Financing Agreement by check or wire transfer to such City Pension Fund without presentation of the 1978 Series 12 Bonds and without any notation of such payment being required. Interest on the 1978 Series 12 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 12 Bonds will be issued as coupon bonds in the denomination of $5,000 or $100,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 12 Bonds, see “PART I—INTRODUCTION” and the references included therein.

The 1978 Series 12 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot on any interest payment date or dates, at an initial redemption price of 102%, declining in increments of 1/2% per year to a redemption price of 100% on and after July 1, 1992, of the principal amount thereof, and from mandatory sinking fund installments on and after July 1, 1983, at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date, pursuant to the following schedule:

<table>
<thead>
<tr>
<th>July 1</th>
<th>Sinking Fund Installment</th>
<th>July 1</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$2,055,000</td>
<td>1992</td>
<td>$5,285,000</td>
</tr>
<tr>
<td>1986</td>
<td>2,940,000</td>
<td>1993</td>
<td>6,470,000</td>
</tr>
<tr>
<td>1987</td>
<td>2,940,000</td>
<td>1994</td>
<td>7,935,000</td>
</tr>
<tr>
<td>1988</td>
<td>5,015,000</td>
<td>1995</td>
<td>9,435,000</td>
</tr>
<tr>
<td>1989</td>
<td>5,015,000</td>
<td>1996</td>
<td>885,000</td>
</tr>
<tr>
<td>1990</td>
<td>5,300,000</td>
<td>1997</td>
<td>875,000</td>
</tr>
<tr>
<td>1991</td>
<td>5,300,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$60,375,000 8 3/4% Term Bonds due July 1, 1998 @ 98.075%

(Accrued interest to be added)

The average life of the 1978 Series 12 Bonds is approximately 13.1 years

This Supplement must be read in conjunction with the Official Statement to which this Supplement is attached. Such Official Statement relates to the Corporation’s 1978 Series 10 Bonds. The 1978 Series 12 Bonds will be sold to certain of the City Pension Funds pursuant to the Financing Agreement.

Nothing in the Official Statement relating to underwriters or to an underwritten sale should be read as referring to the 1978 Series 12 Bonds.
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 13 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.

$201,100,000

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

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

7.35%-8.50% 1978 SERIES 13 BONDS

( Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Due July 1, as shown below

This Supplement to the Official Statement dated November 17, 1978 (the “Official Statement”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”) is provided for the purpose of setting forth information with respect to the Corporation’s 1978 Series 13 Bonds, which are to be purchased from the Corporation by certain Financial Institutions pursuant to the Financing Agreement, as more fully described in the Official Statement.

Principal of and interest on the 1978 Series 13 Bonds are payable at the corporate trust office of The Chase Manhattan Bank, N.A., New York, New York, or at the option of the holder at Bank of America N.A., San Francisco, California, unless registered. At the option of any Financial Institution, payment of the interest on fully registered 1978 Series 13 Bonds will be made pursuant to the Financing Agreement by check or wire transfer to such Financial Institution without presentation of the 1978 Series 13 Bonds and without any notation of such payment being required. Interest on the 1978 Series 13 Bonds is payable July 1, 1979 and semi-annually thereafter on each January 1 and July 1. The 1978 Series 13 Bonds will be issued as coupon bonds in the denomination of $5,000 or $100,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market or market prices for and sources of payment of the 1978 Series 13 Bonds, see “PART 1—INTRODUCTION” and the references included therein.

The 1978 Series 13 Bonds due July 1, 1985 through July 1, 1988 are not subject to redemption prior to maturity. The 1978 Series 13 Bonds due July 1, 1989 through July 1, 1998 are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot beginning with the Bonds of longest maturity on any interest payment date or dates, at an initial redemption price of 102%, declining in increments of 1.5% per year to a redemption price of 100% on and after July 1, 1992, of the principal amount thereof plus accrued interest to the redemption date.

<table>
<thead>
<tr>
<th>Due</th>
<th>Amount</th>
<th>Rate</th>
<th>Price</th>
<th>Due</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>1985</td>
<td>$ 6,850,000</td>
<td>7.35%</td>
<td>@98.075%</td>
<td>1992</td>
<td>$17,600,000</td>
<td>8.40%</td>
<td>@98.075%</td>
</tr>
<tr>
<td>1986</td>
<td>9,800,000</td>
<td>7.95%</td>
<td>@98.075%</td>
<td>1993</td>
<td>21,550,000</td>
<td>8.40%</td>
<td>@98.075%</td>
</tr>
<tr>
<td>1987</td>
<td>9,300,000</td>
<td>8.15%</td>
<td>@98.075%</td>
<td>1994</td>
<td>26,500,000</td>
<td>8.40%</td>
<td>@98.075%</td>
</tr>
<tr>
<td>1988</td>
<td>16,700,000</td>
<td>8.35%</td>
<td>@98.075%</td>
<td>1995</td>
<td>31,500,000</td>
<td>8.45%</td>
<td>@98.075%</td>
</tr>
<tr>
<td>1989</td>
<td>16,700,000</td>
<td>8.35%</td>
<td>@98.075%</td>
<td>1996</td>
<td>2,950,000</td>
<td>8.50%</td>
<td>@98.075%</td>
</tr>
<tr>
<td>1990</td>
<td>17,650,000</td>
<td>8.35%</td>
<td>@98.075%</td>
<td>1997</td>
<td>2,900,000</td>
<td>8.50%</td>
<td>@98.075%</td>
</tr>
<tr>
<td>1991</td>
<td>17,650,000</td>
<td>8.40%</td>
<td>@98.075%</td>
<td>1998</td>
<td>2,950,000</td>
<td>8.50%</td>
<td>@98.075%</td>
</tr>
</tbody>
</table>

(Accrued interest to be added)

The average life of the 1978 Series 13 Bonds is approximately 13.1 years.

This Supplement must be read in conjunction with the Official Statement to which this Supplement is attached. Such Official Statement relates to the Corporation’s 1978 Series 10 Bonds. The 1978 Series 13 Bonds will be sold to certain of the Financial Institutions pursuant to the Financing Agreement.

Nothing in the Official Statement relating to underwriters or to an underwritten sale should be read as referring to the 1978 Series 13 Bonds.
In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 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.

$250,000,000

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

1978 SERIES 10 BONDS
(Issued pursuant to the Second General Bond Resolution)

Dated November 15, 1978

Due July 1, 2008

Principal of and interest on the 1978 Series 10 Bonds are payable at the corporate trust office of Chemical Bank, N.A., New York, New York, or at the option of the holder at Bank of America N.T. & S.A., San Francisco, California, unless registered. Interest on the 1978 Series 10 Bonds is payable February 1 and August 1, semi-annually on each date, or in part, at any time or times, or at any place designated by the Corporation.

The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registerable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. For information which may affect the market for, market prices of, and sources of payment of the 1978 Series 10 Bonds, see "PART I—INTRODUCTION" and the references included therein.

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part, at any interest payment date or dates, at an initial redemption price of 102% of the principal amount thereof, and from mandatory sinking fund installments, at a redemption price of 100% of the principal amount thereof, plus, in each case, accrued interest to the redemption date.

The Trustees under the Second General Bond Resolution (pursuant to which the 1978 Series 10 Bonds are to be issued) is United States Trust Company of New York.

% Term Bonds due July 1, 2008

Price

(Accrued interest to be added)

The 1978 Series 10 Bonds are payable from certain per capita State aid and, to the extent not required for payment of certain other obligations of the Corporation, including bonds issued under the Corporation's First General Bond Resolution, 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 such per capita State aid or to continue the imposition of such taxes or to make the necessary payments of such per capita State aid or the necessary appropriations of the revenues derived from such taxes. The Corporation has no taxing power. The 1978 Series 10 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 State nor the City is pledged to the payment of principal of or interest on the 1978 Series 10 Bonds.

The 1978 Series 10 Bonds are offered when, as and if issued by the Corporation and received by the Underwriters and subject to approval of legality by Hawkins, Delafield & Wood, New York, New York. Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul Weiss, Rifkind, Wharton & Garrison, New York, New York. It is expected that the 1978 Series 10 Bonds in definitive form will be available for delivery on or about November 30, 1978. At the option of any underwriter, delivery will be available at the Depository Trust Company, New York, New York.

The date of this Official Statement is November 17, 1973.
No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 1978 Series 10 Bonds or any other securities of the Municipal Assistance Corporation for The City of New York by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by such Corporation and by other sources which are believed to be reliable by such Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of such Corporation or of the State of New York or of The City of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE 1978 SERIES 10 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>The Corporation and the Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Recent Legislation Relating to the Corporation</td>
<td>2</td>
</tr>
<tr>
<td>Debt Issuance Plan</td>
<td>2</td>
</tr>
<tr>
<td>Sales Under Debt Issuance Plan and Market Overhang</td>
<td>3</td>
</tr>
<tr>
<td>Additional Limitations on Bond Issuance</td>
<td>4</td>
</tr>
<tr>
<td>Per Capita Aid, Tax Revenues and Debt Service</td>
<td>4</td>
</tr>
<tr>
<td>Certain Factors</td>
<td>5</td>
</tr>
<tr>
<td>2. FOUR YEAR DEBT ISSUANCE PLAN</td>
<td>6</td>
</tr>
<tr>
<td>3. OUTSTANDING DEBT OF THE CORPORATION</td>
<td>8</td>
</tr>
<tr>
<td>4. USE OF PROCEEDS</td>
<td>8</td>
</tr>
<tr>
<td>5. PROVISIONS FOR PAYMENT OF THE BONDS</td>
<td>9</td>
</tr>
<tr>
<td>General</td>
<td>9</td>
</tr>
<tr>
<td>Appropriation By Legislature</td>
<td>12</td>
</tr>
<tr>
<td>Municipal Assistance State Aid Fund</td>
<td>13</td>
</tr>
<tr>
<td>Per Capita Aid</td>
<td>14</td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>15</td>
</tr>
<tr>
<td>Sales Tax</td>
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</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>20</td>
</tr>
<tr>
<td>Restoration of Capital Reserve Aid Fund</td>
<td>22</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>23</td>
</tr>
<tr>
<td>6. DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIO</td>
<td>23</td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>23</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
<td>25</td>
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<tr>
<td>Debt Service Requirements and Estimated Coverage Ratios</td>
<td>25</td>
</tr>
<tr>
<td>7. BONDS BEING OFFERED</td>
<td>28</td>
</tr>
<tr>
<td>Description of the Bonds</td>
<td>28</td>
</tr>
<tr>
<td>Additional Bonds and Notes</td>
<td>30</td>
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<tr>
<td>8. CERTAIN DEVELOPMENTS AFFECTING THE STATE</td>
<td>31</td>
</tr>
<tr>
<td>Long-Term Trends</td>
<td>32</td>
</tr>
<tr>
<td>Financial Difficulties of Fiscal Years 1975 and 1976</td>
<td>32</td>
</tr>
<tr>
<td>Events During Fiscal Years 1977 and 1978</td>
<td>33</td>
</tr>
<tr>
<td>Potential Problems in Current and Subsequent Fiscal Years</td>
<td>33</td>
</tr>
<tr>
<td>Financial Difficulties of 1975</td>
<td>37</td>
</tr>
<tr>
<td>Three Year Financial Plan: Fiscal Years 1976-1978</td>
<td>38</td>
</tr>
<tr>
<td>Four Year Financial Plan: Fiscal Years 1979-1982</td>
<td>40</td>
</tr>
<tr>
<td>Litigation</td>
<td>44</td>
</tr>
<tr>
<td>Expiration of Plan</td>
<td>44</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>45</td>
</tr>
<tr>
<td>10. LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN</td>
<td>45</td>
</tr>
<tr>
<td>State Legislation</td>
<td>46</td>
</tr>
<tr>
<td>Federal Guarantee Act</td>
<td>46</td>
</tr>
<tr>
<td>Pension Legislation</td>
<td>48</td>
</tr>
<tr>
<td>Financing Agreement</td>
<td>48</td>
</tr>
<tr>
<td>Guarantee Agreement</td>
<td>50</td>
</tr>
<tr>
<td>Seasonal Agreement</td>
<td>51</td>
</tr>
<tr>
<td>11. VARIOUS CONTROL PROGRAMS</td>
<td>51</td>
</tr>
<tr>
<td>Powers of the Corporation</td>
<td>52</td>
</tr>
<tr>
<td>Conditions to Payments to the City</td>
<td>52</td>
</tr>
<tr>
<td>Board of Control</td>
<td>53</td>
</tr>
<tr>
<td>12. AGREEMENT OF THE STATE OF NEW YORK</td>
<td>54</td>
</tr>
<tr>
<td>13. MANAGEMENT</td>
<td>55</td>
</tr>
<tr>
<td>14. LITIGATION</td>
<td>58</td>
</tr>
<tr>
<td>15. SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION</td>
<td>59</td>
</tr>
<tr>
<td>16. TRUSTEE</td>
<td>71</td>
</tr>
<tr>
<td>17. LEGAL INVESTMENT</td>
<td>72</td>
</tr>
<tr>
<td>18. TAX EXEMPTION</td>
<td>72</td>
</tr>
<tr>
<td>19. LEGAL OPINIONS</td>
<td>72</td>
</tr>
<tr>
<td>20. UNDERWRITING</td>
<td>72</td>
</tr>
<tr>
<td>21. FINANCIAL STATEMENTS</td>
<td>73</td>
</tr>
<tr>
<td>Exhibit A—Audited Financial Statements</td>
<td>73</td>
</tr>
<tr>
<td>Exhibit B—Opinion of Bond Counsel</td>
<td>73</td>
</tr>
</tbody>
</table>

Lazard Frères & Cie. — Financial Advisor
OFFICIAL STATEMENT

OF

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

Relating to the Issue and Sale of

$250,000,000 of its

1978 Series 10 Bonds

PART 1—INTRODUCTION

The purpose of this Official Statement of the Municipal Assistance Corporation For The City of New York (the "Corporation") is to set forth information in connection with the offering of the Corporation's 1978 Series 10 Bonds (the "1978 Series 10 Bonds"). Certain factors that may affect decisions to invest in the 1978 Series 10 Bonds are described in this Official Statement and persons considering a purchase of such Bonds should read this Official Statement in its entirety.

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 State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, each as further amended (the "Act"), for the purpose of assisting The City of New York (the "City") in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. To carry out such purpose, the Corporation is empowered, among other things, to issue and sell bonds and notes, to pay or lend funds received from such sales to the City, 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 "PART 11—VARIOUS CONTROL PROGRAMS" and "PART 13—MANAGEMENT."

The 1978 Series 10 Bonds will be issued pursuant to the Act, the Corporation's second general bond resolution dated November 25, 1975 (the "Second General Bond Resolution") and the series resolution of the Corporation authorizing the 1978 Series 10 Bonds (the "1978 Series 10 Resolution"). For a description of the Second General Bond Resolution, see "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION." All bonds which are or may be issued under the Second General Bond Resolution are herein collectively referred to as the "Second Resolution Bonds."

The 1978 Series 10 Bonds are due July 1, 2008 and are subject to redemption at the option of the Corporation on and after July 1, 1988 as a whole on any date, or in part on any interest payment date or dates, and are subject to mandatory redemption by lot through operation of a sinking fund beginning on July 1, 1999. Giving effect to sinking fund redemptions, the average life of the 1978 Series 10 Bonds is approximately 25 3/4 years calculated from November 15, 1978. For a more detailed description of the 1978 Series 10 Bonds, see the cover page of this Official Statement and "PART 7—BONDS BEING OFFERED."

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and
notes, and notes issued to meet the City's seasonal borrowing requirements). After the issuance of the 1978 Series 10 Bonds (and giving effect to the prior issuance of the Corporation's Series 11, 12 and 13 Bonds), the Corporation will have issued $6.312 billion aggregate principal amount of bonds and notes for purposes of the $8.8 billion limit. The Corporation will have outstanding (excluding bonds that have been refunded) $2.525 billion aggregate principal amount of bonds issued under the Second General Bond Resolution, and $3.132 billion aggregate principal amount of bonds issued under its General Bond Resolution dated July 2, 1975, as amended and supplemented (the "First General Bond Resolution"). The bonds that are or may be issued under the First General Bond Resolution (the "First Resolution Bonds") have no claim on the per capita State aid pledged to the payment of Second Resolution Bonds, but are payable from and have a prior claim on revenues derived from certain sales and compensating use taxes imposed by the State within the City and, if needed, the State stock transfer tax. See "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS" for a more detailed description of the revenues available for payment of the 1978 Series 10 Bonds.

Recent Legislation Relating to the Corporation

In June 1978 and September 1978, State legislation was enacted (the "1978 Amendments") that, among other things, amended the Act to increase from $5.8 billion to $8.8 billion the amount of bonds and notes which may be issued by the Corporation and to expand the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments of moneys to the City for any item that is permitted to be included in the City's capital budget, (ii) payments that will have the effect of reducing the City's requirements for State advances of State assistance moneys payable to the City, (iii) payments into a fund in connection with the Federal guarantee of obligations of the City or the Corporation (the "Guarantee Fund"), and (iv) financing the City's seasonal borrowing requirements.

In addition, the 1978 Amendments authorize and require the Corporation to include, with respect to bonds of the Corporation issued after September 28, 1978, including the 1978 Series 10 Bonds, a covenant of the State (the "1978 State Covenant") that the State will not take certain actions, including any action that will substantially impair the authority of the New York State Financial Control Board (the "Control Board") to act in specified respects with regard to the City. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—State Legislation", "PART 11—VARIOUS CONTROL PROGRAMS—Powers of the Corporation" and, with respect to the 1978 State Covenant and its enforceability, "PART 12—AGREEMENT OF THE STATE OF NEW YORK."

The 1978 Amendments also amended the New York State Financial Emergency Act for the City of New York (as amended, the "Emergency Act") to, among other things, extend the duration of the Control Board and modify its powers. See "PART 11—VARIOUS CONTROL PROGRAMS—Control Board."

Debt Issuance Plan

The sale of the Corporation's 1978 Series 10 Bonds and the prior sale of the Corporation's 1978 Series 11, 12 and 13 Bonds are among the initial steps in the implementation of a program to provide necessary long and short-term financing to the City over the next four fiscal years, during which time the City expects to follow a plan designed to bring its expense budget into balance in accordance with generally accepted accounting principles ("GAAP"), to reduce its seasonal borrowing requirements, to provide funds for capital expenditures and to enable the City to regain access to the public credit markets. See "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Four Year Financial Plan: Fiscal Years 1979-1982."

The four year financing plan (the "Debt Issuance Plan") includes four long-term financing components: (1) the sale of up to $1.8 billion of the Corporation's Second Resolution Bonds to various New York City commercial banks, savings banks and insurance companies (the "Financial Institutions") and four City employee pension funds (the "City Pension Funds"); (2) the sale of up to $750 million federally guaranteed City bonds to the City Pension Funds and two State employee pension funds (the "State Pension Funds"); (3) sales to the public of up to $1 billion of the Corporation's bonds; and (4) sales to the public of up to $950 million of City bonds that are not federally guaranteed (or, if neither the City nor the Corporation is able to sell its bonds to the public in sufficient amounts on reasonable terms to fulfill this element of the Plan, private sales to the City and State Pension Funds
of up to $900 million of federally guaranteed City bonds). The sales to the Financial Institutions and City Pension Funds of the Corporation's bonds are to be made pursuant to an agreement dated as of November 15, 1978 among the Corporation, the Financial Institutions and the City Pension Funds (the "Financing Agreement"). The Federal guarantee of the bonds of the City, authorized by the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the "Federal Guarantee Act"), is to be made pursuant to an agreement dated as of November 15, 1978 among the United States of America, the City, the State, the Control Board and the Corporation (the "Agreement to Guarantee") and the purchase of such guaranteed City bonds (the "Guaranteed City Bonds") is to be made pursuant to an agreement dated as of November 15, 1978 among the United States of America, the City and the City and State Pension Funds (the "Guaranteed Bond Purchase Agreement"). The Agreement to Guarantee and the Guaranteed Bond Purchase Agreement are collectively called the "Guarantee Agreement".

In addition, the City’s 1979 seasonal financing requirements are to be met by loans to the City evidenced by the City's short-term notes (which are not to be federally guaranteed) of up to an aggregate of $750 million by the City Pension Funds and the commercial banks that are among the Financial Institutions (the "Commercial Banks") pursuant to an agreement among such purchasers and the City dated as of November 15, 1978 (the "Seasonal Agreement"). This commitment will be reduced by the amount of any notes otherwise issued by the City or by the Corporation for seasonal financing purposes.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, its implementation is subject to the conditions imposed by Federal and State legislation relating to such a program and to the numerous and complex conditions contained in the Financing Agreement, the Guarantee Agreement and the Seasonal Agreement. Certain of such conditions may be difficult to fulfill and many conditions are not within the control of the Corporation. Among such conditions are the requirements that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), that specified portions of the Emergency Act, including the 1978 State Covenant, not be repealed or rendered invalid or unenforceable in whole or in material part by any action of the State or judicial decision, and that substantially all the purchases to be made pursuant to the Debt Issuance Plan are made as scheduled.

For more detailed information on the Debt Issuance Plan, see "PART 2—FOUR YEAR DEBT ISSUANCE PLAN." For a description of the Financing Agreement, Guarantee Agreement and Seasonal Agreement, see "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

Sales Under Debt Issuance Plan and Market Overhang

On November 17, 1978 the Financial Institutions (including the Commercial Banks that are managing and other underwriters of this offering and the Trustee, which is also a Commercial Bank) and the City Pension Funds made their initial purchases under the Financing Agreement of $401 million of the Corporation’s 1978 Series 11, 12 and 13 Second Resolution Bonds.

The 1978 Private Series Bonds, sold at 98.075% of the principal amount, consist of the following:

<table>
<thead>
<tr>
<th>Series</th>
<th>Amount</th>
<th>Rate*</th>
<th>Due July 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>$139,525,000</td>
<td>8 3/4%</td>
<td>1998</td>
</tr>
<tr>
<td>12</td>
<td>$ 60,375,000</td>
<td>8 3/4%</td>
<td>1998</td>
</tr>
<tr>
<td>13</td>
<td>$201,100</td>
<td>8 3/4%</td>
<td>1998</td>
</tr>
</tbody>
</table>

* The net interest cost at par for the 1978 Series 13 Bonds is approximately 8.375%.
The 1978 Private Series Bonds, taken as a whole, have an average life of 13.1 years from their date of issuance. Although the Financial Institutions and the City Pension Funds have agreed to the extent permitted by law, not to sell, offer to sell, or otherwise dispose of the 1978 Private Series Bonds without the consent of the Corporation and the underwriters for a period of sixty days after the delivery of the 1978 Private Series Bonds, the underwriters, the Financial Institutions and the City Pension Funds may offer or sell all or a portion of such Bonds following expiration of the sixty day period and may offer or sell any other bonds of the Corporation held by them at any time. Any such offer or sale may have an adverse effect on the market price of the 1978 Series 10 Bonds. For further information with respect to the Financing Agreement, see "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement."

Commercial Banks, some of which are underwriters of this offering, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

**Additional Limitations on Bond Issuance**

The Corporation has included in the 1978 Series 10 Resolution, and in certain other resolutions, a covenant that it will not issue any additional obligations under the First General Bond Resolution if such issuance would cause maximum annual debt service on all obligations issued and outstanding under the First General Bond Resolution to exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes). In addition, the Corporation has covenanted to impose an additional coverage test for the issuance of additional Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds, increasing required coverage from 1.2 times to 2 times.

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation's bonds and notes outstanding under the First and Second General Bond Resolutions shall not exceed $8.3 billion. Such provision also restricts the Corporation's issuance of bonds other than pursuant to the First or Second General Bond Resolution and subjects its issuance of short-term notes (which are subordinate to obligations issued under the First or Second Bond Resolution) to the same 2 times coverage test imposed on Second Resolution Bonds. For a description of these and other limitations, see "PART 7—BONDS BEING OFFERED—Additional Bonds and Notes." The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, in certain circumstances after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act, including the 1978 State Covenant, are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its obligations may be limited. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement."

**Payment of the Second Resolution Bonds**

The Second Resolution Bonds, including the 1978 Series 10 Bonds, are general obligations of the Corporation, payable from any available revenues of the Corporation not otherwise pledged, as well as from any revenues of the Corporation pledged to the payment of the Second Resolution Bonds.

As described herein, the Corporation's revenues pledged to the payment of the Second Resolution Bonds are derived from three sources: Per Capita Aid, the Sales Tax and the Stock Transfer Tax. "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 of the Corporation derived from the Sales Tax and the Stock Transfer Tax are pledged to the payment of the Second Resolution Bonds only to the extent that such revenues are not required to meet debt service and capital reserve fund requirements on obligations issued under the First General Bond Resolution.
The methods by which the Corporation receives its revenues are established by State law. The Finance Law provides that, subject to annual appropriation by the State Legislature, Per Capita Aid is apportioned and paid from the Local Assistance Fund in the State's General Fund, 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 the Chairman of the Corporation certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and the Second General Bond Resolution for the Second Resolution Bonds. See "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS—Adjusted Per Capita Aid."

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"). Subject to annual appropriation by the State Legislature, and only after meeting debt service and capital reserve fund requirements on obligations of the Corporation issued under the First General Bond Resolution, to the extent that amounts in the Special Aid Account are insufficient to meet obligations of the Corporation with respect to the Second Resolution Bonds, moneys in the Special Tax Account are to be paid to the Corporation at such times and in such amounts as its Chairman certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and by the Second General Bond Resolution for the Second Resolution Bonds.

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

The State Legislature appropriated Per Capita Aid and the Sales Tax and Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since 1976, including the State's 1979 fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. See "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Appropriation By Legislature." (The State's fiscal year ends March 31 in each year. The fiscal years of both the Corporation and the City end June 30 in each year.)

Amounts paid to the Corporation from the Special Aid Account, and from the Special Tax Account as referred to above, are deposited into the bond service fund and capital reserve fund established under the Second General Bond Resolution and held by the Trustee (the "Bond Service Fund" and "Capital Reserve Aid Fund," respectively). The Second Resolution Bonds are secured by an equal charge and a first lien on all moneys and securities in the Bond Service Fund and the Capital Reserve Aid Fund. The amount required to be deposited in the Bond Service Fund for any fiscal year is the amount needed to pay principal (including Sinking Fund Installments), interest and any redemption premium maturing or otherwise coming due on all outstanding Second Resolution Bonds during such fiscal year. The amount required to be on deposit in the Capital Reserve Aid Fund for any calendar year is a fixed percentage of principal (including Sinking Fund Installments) and interest maturing or otherwise coming due on outstanding Second Resolution Bonds during a specified calendar year.

For a more detailed description of the funds to be used to pay the principal of and interest on the Second Resolution Bonds, see "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS."

Per Capita Aid, Tax Revenues and Debt Service

Per Capita Aid apportioned and paid into the Special Aid Account and paid to the Corporation, and (to the extent not required by the Corporation) the City, with respect to the Corporation's 1978 fiscal year was approximately $434 million. This amount was subject to reduction by prior claims to Per
Capita Aid, but no claims were asserted. Potential prior claims are described under "Part 6—Debt Service Payment Requirements and Estimated Coverage Ratios—Adjusted Per Capita Aid."

Collections of the Sales Tax and the Stock Transfer Tax with respect to the twelve months ended September 30, 1978, available for payment of the First and Second Resolution Bonds were approximately $1.26 billion (excluding the 25% surcharge formerly imposed on the Stock Transfer Tax, which surcharge terminated July 31, 1978, and net of State expenses of administration and the Corporation's estimated operating expenses).

The debt service payment requirements on the outstanding First Resolution Bonds at present range from a high of $378 million in the Corporation’s 1986 fiscal year to a low of $299 million in the Corporation’s 1982 fiscal year. After issuance of the 1978 Series 10 Bonds, and after giving effect to the issuance of the 1978 Private Series Bonds, debt service payment requirements on the then outstanding Second Resolution Bonds will range from a high of $233 million in the Corporation’s 1989 fiscal year to a low of $27 million in the Corporation’s 1999 fiscal year. For further information with respect to the Corporation’s revenues and debt service, as well as estimated coverage ratios, and the effect of additional issuances by the Corporation under the Debt Issuance Plan, see "Part 6—Debt Service Payment Requirements and Estimated Coverage Ratios."

**Certain Factors**

The Corporation believes that the market for, the market price of and the sources of payment of the 1978 Series 10 Bonds may be affected by certain factors described elsewhere in this Official Statement. Both the State and the City face serious potential long-term economic and demographic problems which may affect the level of Per Capita Aid and the levels of collections of the Sales Tax and Stock Transfer Tax in the future. If the financings included in the Debt Issuance Plan are not completed on a timely basis and an alternative financing plan is not developed, the market for and market prices of the Corporation's bonds, including the 1978 Series 10 Bonds would be likely to be adversely affected. For a more detailed description of such problems and other factors, see "Part 8—Certain Developments Affecting the State", "Part 9—Certain Developments Affecting the City" and "Part 10—Legislation and Agreements Relating to the Debt Issuance Plan."

**PART 2—FOUR YEAR DEBT ISSUANCE PLAN**

The Corporation, in conjunction with the City, has developed the Debt Issuance Plan to provide approximately $4.5 billion of long-term financing for the City during the 1979 through 1982 fiscal years. For a description of the City's financial plan for such fiscal years, see "Part 9—Certain Developments Affecting the City—Four Year Financial Plan: Fiscal Years 1979-1982." The funds to be provided by the Debt Issuance Plan are expected to be used to fund the following items: $2.3 billion for the City's capital needs; $900 million for certain expense items permitted to be included in the City's capital budget under State law during the period of the phase-out of such items from the capital budget, but not permitted to be included under GAAP; $600 million to refund prior to their maturity certain outstanding bonds of the Corporation; $300 million to fund the Corporation's capital reserve funds and the Guarantee Fund; and $400 million to reduce the need for an advance from the State to the City's State assistance moneys, an advance made by the State in each of the City's 1975 through 1978 fiscal years in the amount of $800 million.

The Debt Issuance Plan provides for the sale of an aggregate of $1.8 billion of the Corporation's Second Resolution Bonds to the Financial Institutions and the City Pension Funds pursuant to the Financing Agreement and for the sale to the public of $1 billion of the Corporation's bonds. In addition, $750 million is to be provided by the sale of Guaranteed City Bonds to the City and State Pension Funds pursuant to the Guarantee Agreement. The final $950 million of the $4.5 billion is to be provided by sales to the public in the 1981 and 1982 fiscal years of City bonds that are not federally guaranteed. If neither the City nor the Corporation is able to sell its bonds to the public in the amounts planned on reasonable terms in fiscal years 1981 and 1982, the City and State Pension Funds have agreed to purchase up to an additional $900 million of Guaranteed City Bonds pursuant to, and subject to the conditions of, the Guarantee Agreement.
The year-by-year sources of funds under the Debt Issuance Plan are set forth on the following schedule:

**DEBT ISSUANCE PLAN**

**Sources of Funds**

Fiscal Years Ending June 30, 1979-1982

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Placements of the Corporation's Bonds</strong></td>
<td>$60,375</td>
<td>$224,325</td>
<td>$324,275</td>
<td>$116,125</td>
<td>$625,000</td>
</tr>
<tr>
<td>City Pension Funds</td>
<td>$60,375</td>
<td>$224,325</td>
<td>$324,275</td>
<td>$116,125</td>
<td>$625,000</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Savings Banks</td>
<td>205,250</td>
<td>13,350</td>
<td>13,450</td>
<td>17,450</td>
<td>249,700</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td>401,000</td>
<td>537,000</td>
<td>537,000</td>
<td>324,700</td>
<td>1,799,700</td>
</tr>
<tr>
<td><strong>Sales to the Public of the Corporation's Bonds</strong></td>
<td>500,000</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Private Placements of Guaranteed City Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Pension Funds</td>
<td>250,000</td>
<td>125,000</td>
<td>-</td>
<td>-</td>
<td>375,000</td>
</tr>
<tr>
<td>State Pension Funds</td>
<td>250,000</td>
<td>125,000</td>
<td>-</td>
<td>-</td>
<td>375,000</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td>500,000</td>
<td>250,000</td>
<td>-</td>
<td>-</td>
<td>750,000</td>
</tr>
<tr>
<td><strong>Sales to the Public of City Bonds</strong></td>
<td>-</td>
<td>-</td>
<td>300,000</td>
<td>650,000</td>
<td>950,000</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td>$1,401,000</td>
<td>$1,287,000</td>
<td>$837,000</td>
<td>$974,700</td>
<td>$4,499,700</td>
</tr>
</tbody>
</table>

In addition, in order to provide short-term seasonal financing to the City during its current fiscal year, the Commercial Banks and the City Pension Funds have agreed to loan to the City in this fiscal year up to $750 million evidenced by seasonal notes of the City (the "1979 Seasonal Notes") pursuant to the Seasonal Agreement. The 1979 Seasonal Notes will not be federally guaranteed and the amount of 1979 Seasonal Notes to be purchased under the Seasonal Agreement will be reduced by the amount of any seasonal notes sold by the City other than pursuant to the Seasonal Agreement or by the Corporation.

The Financing Agreement, the Guarantee Agreement and the Seasonal Agreement (collectively, the "Agreements") have been executed and the initial purchases provided for in the Financing Agreement and the Guarantee Agreement were made on November 17, 1978: $401 million of Second Resolution Bonds were sold under the Financing Agreement and $200 million of Guaranteed City Bonds were sold under the Guarantee Agreement.

The Corporation believes that the Debt Issuance Plan can be successfully implemented; however, the obligations of each of the purchasers to make the further purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirement that the City adopt and adhere to operating budgets for fiscal year 1982 and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), and that specified portions of the Emergency Act, including the 1978 State Government not have been repealed or rendered invalid or unenforceable in whole or in material part by any action of the State or judicial decision and that substantially all the purchases scheduled to have been made pursuant to the Debt Issuance Plan shall have been made. Accordingly, no assurance can be given that the applicable conditions of the Agree-
mements will in the future be satisfied, or if satisfied that such purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

For a description of the Agreements, certain of the conditions contained in the Agreements, and the legislation authorizing such Agreements, see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN.”

PART 3—OUTSTANDING DEBT OF THE CORPORATION

After the issuance of the 1978 Series 10 Bonds, and after giving effect to the delivery of $401 million of 1978 Private Series Bonds to the Financial Institutions and City Pension Funds on November 17, 1978, the Corporation will have outstanding $2,625 billion in Second Resolution Bonds and $3.132 billion in First Resolution Bonds (excluding bonds that have been refunded).

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

As at September 30, 1978, there was on deposit in the Bond Service Fund and the Capital Reserve Aid Fund $50.5 million and $216.1 million, respectively, for the payment of principal of and interest on the Second Resolution Bonds, which amounts equal or exceed the amounts required by the Act and the Second General Bond Resolution to be certified for and deposited in such Funds on such date. After application of the proceeds of this offering, and giving effect to the application of the proceeds of the sale of the 1978 Private Series Bonds, there will be on deposit $246.1 million in the Capital Reserve Aid Fund, which amount exceeds the requirement of the Act. See “PART 4—USE OF PROCEEDS.”

For additional information concerning the financial condition of the Corporation as at June 30, 1978 and as at September 30, 1978 and certain transactions occurring between September 30, 1978 and the date hereof, see the audited financial statements of the Corporation as at June 30, 1978 and the unaudited financial statements of the Corporation as at September 30, 1978, annexed hereto, and “PART 21—FINANCIAL STATEMENTS.”

PART 4—USE OF PROCEEDS

The net proceeds of the sales of the 1978 Series 10 Bonds and of the 1978 Private Series Bonds will be $ million and $401 million, respectively, providing aggregate net proceeds of $ million. Approximately $30 million of the aggregate net proceeds will be deposited in the Capital Reserve Aid Fund established pursuant to the Act and the Second General Bond Resolution. As a result of such deposit, the Capital Reserve Aid Fund under the Second General Bond Resolution will be maintained at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. The Corporation intends in connection with any future issuances of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100% of the debt service coming due in the year of such issuance. The Act requires that as of calendar year 1981, 100% of the succeeding calendar year's debt service be maintained in such Fund. For further information with respect to the Capital Reserve Aid Fund, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—General” and “Restoration of Capital Reserve Aid Fund.”

Approximately $47 million of such aggregate net proceeds will be deposited in the Capital Reserve Fund, established pursuant to the Act and the First General Bond Resolution, to bring such Fund up to 75% of debt service due in calendar year 1979 on First Resolution Bonds, which is the level required by the Act to be on deposit for calendar year 1979. Approximately $27 million of such
aggregate net proceeds will be deposited in the Guarantee Fund. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—State Legislation" and "Federal Guarantee Act."

Of the balance of such aggregate net proceeds, approximately $400 million will be paid to the City upon certification by the Mayor of the City (the "Mayor") that such payment will have the effect of reducing the City's requirements for an advance by the State of State assistance moneys payable to the City and approximately $5 million will be paid to the City upon certification by the Mayor that such payment will be used to pay expense items currently permitted to be included in the City's capital budget. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

PART 5—PROVISIONS FOR PAYMENT OF THE BONDS

General

The Second Resolution Bonds are general obligations of the Corporation payable out of any available revenues of the Corporation not otherwise pledged as well as any revenues of the Corporation pledged to the payment of Second Resolution Bonds. The Second Resolution Bonds are entitled to a lien, created by the pledge under the Second General Bond Resolution, of all moneys and securities paid or deposited into the Bond Service Fund and the Capital Reserve Aid Fund held by United States Trust Company of New York, as trustee (the "Trustee"). Such moneys and securities include each of the following: (i) amounts derived from Per Capita Aid received by the Corporation from the State as payments from the Municipal Assistance State Aid Fund (see "Municipal Assistance State Aid Fund" in this PART 5) for deposit in the Bond Service Fund and in the Capital Reserve Aid Fund; (ii) amounts derived from the Sales Tax and the Stock Transfer Tax received annually by the Corporation from the State as payments from the Municipal Assistance Tax Fund (after payment from such Fund to the Corporation of the amounts required to be deposited in 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" in this PART 5); and (iv) any income or interest earned as a result of investments of such amounts so deposited in such Bond Service Fund and Capital Reserve Aid Fund. See "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION." Holders of obligations of the Corporation, including the 1978 Series 10 Bonds, have no lien on moneys on deposit in the Guarantee Fund. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act."

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 of the Corporation to the State Comptroller and to 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 the fiscal year beginning on the following July 1 on all outstanding Second Resolution 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 be on deposit in the Capital Reserve Aid Fund for a specified calendar year is a fixed percentage of the interest and the principal (including sinking fund installments) maturing or otherwise coming due during such calendar year on all outstanding Second Resolution Bonds, including for such purpose any unpaid amounts of such principal and interest owing in respect of prior calendar years. The fixed percentages of such debt service requirements to be maintained in the Capital Reserve Aid Fund for the calendar years 1978, 1979 and 1980 are 50%, 75% and 100% of the requirements for such years, respectively. Beginning in 1981.
the fixed percentage is 100% of the succeeding calendar year's debt service requirements. As stated above, the Corporation will deposit in the Capital Reserve Aid Fund from the proceeds of the 1978 Series 10 Bonds an amount sufficient to maintain the balance therein at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

Payments to the Corporation of the amounts referred to in clauses (i) and (ii) above are required to be made by the State only if and to the extent that such amounts have been appropriated by the State Legislature or that revenues have otherwise been made available therefor by the State. See "Municipal Assistance State Aid Fund" and "Municipal Assistance Tax Fund" in this PART 5. The source of moneys in the Special Aid Accounts 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 the Special Aid Account only after statutory claims on such aid having a priority over the claims of the Corporation have been paid. Such prior statutory claims are described under "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS." The sources of moneys in the Special Tax Account are the Sales Tax and, if required, the Stock Transfer Tax Fund, the moneys in which are derived from the Stock Transfer Tax imposed by Article 12 of the Tax Law.

The Corporation, in accordance with the Act and pursuant to the express provisions of the Second General Bond Resolution, has covenanted to cause its Chairman to certify (at the time or times required in each year) to the State Comptroller and to the Mayor schedules setting forth the cash requirements of the Corporation and the time or times when such cash is required, all as described above.

In addition to the moneys that become available to the Corporation from the Special 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 any corporate purposes of the Corporation.

The 1978 Amendments authorize the Corporation to take certain actions with respect to City obligations it holds. On November 17, 1978, in accordance with the Act and the Guarantee Agreement, the Corporation presented to the City for cancellation without payment the tax and revenue anticipation notes and budget notes of the City that it then held. On or before March 31, 1979, the Corporation, as required by the Guarantee Agreement, expects to surrender all City bond anticipation notes it holds to the City for cancellation or in exchange for City bonds or to enter into an agreement with the City satisfactory to the Secretary of the Treasury of the United States of America (the "Secretary") with respect to payment of such notes. Under the Act, the Corporation may not present City bonds to the City for cancellation without receiving payment of principal thereof and interest thereon or exchanging such bonds for other bonds. See "PART 11—VARIOUS CONTROL PROGRAMS—POWERS of the Corporation." The amount the Chairman is required to certify for debt service on the Second Resolution Bonds may not be reduced by any amounts payable to but not yet received by the Corporation in respect of obligations of the City but may be reduced to the extent that such moneys are received and deposited in the Bond Service or Debt Service Fund. Such obligations of the City held from time to time by the Corporation are not subject to the lien created by the pledge under the First or Second General Bond Resolutions.
The following chart illustrates the flow of money as described above:

1. Subject to appropriation by State Legislature.
2. See "Municipal Assistance State Aid Fund" in this Part 5.
3. Including Capital Reserve Fund requirement.
4. Available, if necessary.
5. After certification by the Corporation as to its requirements.
6. Subject to appropriation by State Legislature and after payment of all amounts certified by the Corporation, if any, and after payment of rebates of the Stock Transfer Tax, see "Stock Transfer Tax" in this Part 5.
7. After payment of all amounts certified by the Corporation.
Neither the Corporation nor the holders of the Second Resolution 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 Second Resolution 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 Second Resolution Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City is liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal of or interest on the Second Resolution 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 any appropriation. Under the State Constitution, an appropriation of State funds must be paid out within two years of the date of the appropriation act so that such aid and taxes may not be appropriated by a current Legislature for future years. 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 current fiscal year. It is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years, see "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE."

The Sales Tax is now imposed at the same rate and upon substantially the same base as the previously imposed City sales tax. Under the Finance Law, the Sales Tax 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 has been appropriated and has been paid to the Corporation in full. Provisions of the Finance Law similarly restrict the use of moneys in the Special Aid Account in the Municipal Assistance State Aid Fund by the State Comptroller. The Special Aid Account is also a special fund of the State.

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 credit markets.

Article 7, Section 16 of the State Constitution provides that if the State Legislature shall fail to make an appropriation for the payment of principal of and interest on State debt obligations, including sinking fund payments, as the same shall fall due, the State Comptroller "... shall set apart from the first revenues therefrom received, applicable to the general fund of the State, a sum sufficient to pay such interest, installments of principal, or contributions to such sinking fund, as the case may be, and shall so apply the moneys thus set apart." Section 55 of the Finance Law provides that, under certain terms and conditions, the State Comptroller is to set aside all taxes and revenues that would otherwise be payable into the General Fund of the State (with certain itemized exceptions) in a note repayment account 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 appropriation and payment of Per Capita Aid from the General Fund of the State and upon a failure of the State Legislature to make the appropriation to pay State debt obligations, moneys applicable to the General Fund of the State and otherwise available for the appropriation and payment of Per Capita Aid will be subject to being set apart or applied by the State Comptroller to pay State obligations.

Although the Special Aid Account is a special fund of the State, the moneys in such Account are derived from the General Fund of the State and it is unclear whether such moneys would be subject to being set aside by the State Comptroller pursuant to either Section 55 of the Finance Law or Article 7, Section 16 of the State Constitution.

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. Subject to appropriation by the State Legislature, the Special Aid Account receives revenues from the Per Capita Aid after certain claims having a priority on the payment of such aid have been satisfied. For a description of such prior claims, see "PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS."

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 payment from the Special Tax Account, subject to prior claims thereon with respect to obligations issued under the First General Bond Resolution and the Operating Fund requirements, to the Corporation of an amount equal to the deficiency. See "Municipal Assistance Tax Fund" in this Part 5.

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 Finance Law, the State Comptroller may not disburse amounts from the Special Aid Account (or 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 payments to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund from the Special Aid Account and the Special Tax Account to be made on or before January 15, April 15, June 25 and October 15 in each year. Moneys on deposit in the Special Aid Account in excess of the amount certified by the Chairman as required by the Corporation are paid to the City. Although quarterly payments of Per Capita Aid are provided for by the Finance Law, substantially all of the Per Capita Aid payable to the Corporation (and, to the extent not required by the Corporation, payable to the City) is paid on an annual basis as part of the June 25 payment. That portion of the June 25 payment of Per Capita Aid not required by the Corporation is paid to the City on June 30. 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 payments from the Special Aid Account and from the Special Tax Account, which payments are expected to aggregate the total debt service payments required to be made in such year, see “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Maintenance of Certain Funds.”

The State is not bound or obligated to continue the apportionment and payment of the Per Capita Aid to maintain the existence of the Special Aid Account. The Second General Bond Resolution, however, provides that (i) the failure or refusal of the State to continue to apportion and pay Per Capita Aid, as the laws relating to Per Capita Aid may be amended, or the failure of the State to maintain the existence of the Municipal Assistance State Aid Fund or the Special Aid Account or a reduction by the State of the amount of Per Capita Aid, as so amended, payable during any fiscal year to an amount less than the amount of principal and interest maturing or otherwise due in such fiscal year 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 Second Resolution Bonds. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Events of Default.”

The State Comptroller may, in his discretion invest revenues on deposit in the Special Aid Account in obligations of the United States or of the State in obligations the principal of and interest on which are guaranteed by the United States or by the State.

Per Capita Aid

The determination of the amount of Per Capita Aid payable in any year is a legislative act based on complex statutory formulae which take into account the distribution of the State's population, the total assessed valuation of real property taxable within the State as modified to reflect the appropriate equalization rate, personal income, and the 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 1946. The State Legislature may amend or repeal the statutes relating to the payment of Per Capita Aid and the formulae for the determination of the amount of Per Capita Aid. Such amendments could result in the increase or decrease of the amount of Per Capita Aid available for the payment of debt service on Second Resolution Bonds. The State Legislature may also make no appropriation of Per Capita Aid. The financial condition of the State may affect the amount of Per Capita Aid payable.

Payments of Per Capita Aid, upon certification of the State Board of Equalization and Assessment, are apportioned and paid to the Special Aid Account on audit and warrant of the State Comptroller out of moneys appropriated by the State Legislature for such purpose.

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. The following table, which is based on data obtained from the City Office of
Management and Budget, the State Comptroller’s office and the State Division of the Budget, indicates the aggregate payments of Per Capita Aid apportioned and paid to the City and, since 1976, to the Corporation for the nine fiscal years ended June 30, 1978:

**Per Capita Aid**

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$204,800</td>
<td>1975</td>
<td>$405,118</td>
</tr>
<tr>
<td>1971</td>
<td>$223,900(a)</td>
<td>1976</td>
<td>$434,311</td>
</tr>
<tr>
<td>1972</td>
<td>$227,250</td>
<td>1977</td>
<td>$434,311(b)</td>
</tr>
<tr>
<td>1973</td>
<td>$331,780</td>
<td>1978</td>
<td>$434,324(b)(c)</td>
</tr>
<tr>
<td>1974</td>
<td>$360,870</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Includes a non-recurring increase in Per Capita Aid apportioned because of an acceleration of payment otherwise to be made in 1972.

(b) Reflects State’s ceiling on Per Capita Aid payments at the 1976 level, with certain minor modifications applicable to 1978 payments.

(c) An additional $49,276 million was paid into the Special Aid Account in October 1978, which amount is (together with the $434.324 million previously paid) attributable to the State’s 1979 fiscal year.

**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 Finance Law provides for the appropriation of the Sales Tax by the State Legislature (although the State Legislature is not obligated or bound to make such appropriation) (i) to the Corporation in order to enable the Corporation to fulfill the terms of any agreements made with the holders of the Corporation’s obligations issued pursuant to the First General Bond Resolution, (ii) after payments of the amounts required by (i), to the Corporation to enable the Corporation to fulfill the terms of any agreements made with the holders of the Second Resolution Bonds and to carry out its corporate purposes, and (iii) to the City, to the extent of any balance. The Act provides that any provision therein or in any agreement by the Corporation with the holders of the Corporation’s obligations which relates to certain taxes, including the Sales Tax and the Stock Transfer Tax, or to certain funds, including the Municipal Assistance Tax Fund and the Special 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.

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 (in addition to the certifications required under the First General Bond Resolution), 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 at the required level. Pursuant to the Finance Law, 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.

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. See “Stock Transfer Tax” in this Part 5.

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 Tax Account at such times and in such amounts as shall be necessary to enable the Corporation to meet its debt service and Capital Reserve Aid Fund requirements, subject to the prior payment from the Special Tax Account to the Debt Service Fund and Capital Reserve Fund established and maintained under the First General Bond Resolution with respect to obligations issued thereunder and Operating Fund requirements. For additional information concerning the certification procedure, see “Part 15—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 of the amount of revenues received, 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 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 State Legislature. However, the State is not bound or obligated to continue the imposition of either the Sales Tax or the Stock Transfer Tax or to maintain the existence of the Special 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 or refusal of the State for any reason to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by such Law as the same may be from time to time amended or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975, or the failure of the State to maintain the existence of the Special Tax Account or the Stock Transfer Tax Fund, or (ii) the failure of the State Comptroller to pay to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund the amount or amounts as shall be certified by the Chairman, shall each constitute an event of default with respect to the Second Resolution Bonds. See “Part 15—Summary of Certain Provisions of the Second General Bond Resolution—Events of Default.”

Sales Tax

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

The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such
tax are necessarily indicative of future receipts. The primary cause of the growth of sales tax collections in recent years has been inflation. The City has, however, experienced adverse trends in certain economic and demographic factors which contributed in some years to a slowing of the growth rate of sales tax collections. Employment in the City decreased by 9.8% between 1970 and July 1978, as compared to an increase of 20.1% for the United States. The City's unemployment rate, unadjusted for seasonal factors, rose from 4.8% in 1970 to a peak of 11.1% in January 1977 and has since declined to 8.8% as of July 1978. The seasonally adjusted unemployment rate for the United States increased from 4.9% in 1970 to a peak of 9.1% in February through May 1975, and has since declined to 6.2% as of July 1978. The population of the City is estimated to have decreased by approximately 7% between 1970 and June 1978 as compared to a population increase of 6.9% for the United States. (The sources statistics referred to in this paragraph are the New York State Department of Labor, the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of the Census. Statistics for 1970 are annual averages.) See "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

If negative trends continue or accelerate, Sales Tax collections may be adversely affected. The Corporation believes that it is not possible to predict the effect of future developments with respect to the City's economic condition or other related economic developments in the City on Sales Tax collections. 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.

Generally, vendors of any item including services, the sale of which is subject to the imposition of the Sales Tax, are required to file returns and pay this tax on a quarterly basis. Under existing statutes and regulations, such returns and payments are due on September 20, December 20, March 20 and June 20 for the quarter ending on the last day of the preceding month. Since March 1, 1976, however, those large vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, are required to file monthly returns on an historical basis and make monthly payments in addition to filing regular quarterly returns to reconcile their monthly returns with their actual receipts. The same filing requirement was imposed upon vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters from September 1, 1977 to February 28, 1978, but has since been repealed. In addition, such vendors with receipts of $300,000 or more are required to prepay estimated Sales Tax liability for the month of March by March 20 and payments required to be made by April 20 are reduced by the amount of such March estimated payments.

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 Commissioner of Taxation and Finance is required to certify to the State Comptroller the amount of all Sales Tax revenues received, after deduction of administrative costs, during the prior month as a result of the Sales Tax and all interest and penalties imposed. In addition, on or before the last day of June, the Commissioner is required to certify the amount of such revenues received during the first 25 days of June. All such amounts are required to 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 the table below as to adjustments that may be made with respect to the amounts deposited in the Special Tax Account.

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

**QUARTERLY COLLECTIONS OF SALES AND COMPENSATING USE TAXES IN THE CITY**

<table>
<thead>
<tr>
<th>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></td>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1969</td>
<td>$101,388</td>
<td>$107,658</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>142,258</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>212,671</td>
<td>201,715</td>
<td>787,200</td>
</tr>
<tr>
<td>1976(b)</td>
<td>194,560(c)</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>248,927(d)(e)</td>
<td>183,280(d)(e)</td>
<td>858,384</td>
</tr>
<tr>
<td>1978(b)</td>
<td>221,815(e)</td>
<td>232,291(e)(f)</td>
<td>274,585(d)(e)(f)</td>
<td>190,044(d)(e)</td>
<td>918,735</td>
</tr>
<tr>
<td>1979(b)</td>
<td>232,732(e)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) The tabular figures have been adjusted through March 1978 to reflect overpayments or underpayments of both sales and compensating use taxes imposed by the City prior to July 1, 1975, and Sales Tax, to the Special Account. Such adjustments were made to subsequent distributions of the Sales Tax to the Special Account and are reflected in the tabular figures in the quarter in which such adjustments were made. Periods subsequent to March 1978 remain subject to the ongoing process of adjustment.

(b) The amounts of sales and compensating use taxes collected for fiscal 1975, 1976, 1977, 1978 and 1979 reflect the increases in the sales and compensating use taxes from 3% to 4%, effective July 1, 1974. The 6% tax on sales of certain parking services has remained the same.

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

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

(e) As a result of the method of monthly filing on an historical basis by large vendors and distribution to localities of Sales Tax for all periods on an historical basis, overdistributions were made to the Special Account which ranged from $2.4 million to $11.1 million for certain three-month periods. The State Department of Taxation and Finance has made reductions in distributions to reflect these overpayments and, in addition, has made increases in distributions in amounts ranging from $1.9 million to $5.6 million to reflect underdistributions for certain periods. The Commissioner of Taxation and Finance believes that future adjustments, occasioned by overdistributions and underdistributions to such Special Account, will be reduced as the State Department of Taxation and Finance improves its techniques and procedures for estimating distributions of payments received from large vendors.

(f) Collections for October 1977 through March 1978 reflect the fact that vendors with taxable receipts of between $100,000 and $300,000 in any quarter of the preceding four quarters were required to make monthly returns and remittances of Sales Tax during that period. As stated above in the text, commencing March 1978 such vendors are no longer required to make and file returns on a monthly basis.
After deductions for the costs of administration, collection and distribution, monthly collections of the sales and compensating use taxes which were imposed by the City prior to July 1, 1975, and of the Sales Tax imposed by the State since July 1, 1975, for the last five fiscal years of the City are as shown below:

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30:</th>
<th>1974</th>
<th>1975</th>
<th>1976(b)</th>
<th>1977(b)</th>
<th>1978(b)</th>
<th>1979(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>5,127</td>
<td>10,110</td>
<td>8,885(c)</td>
<td>51,298</td>
<td>55,763</td>
<td>53,251</td>
</tr>
<tr>
<td>August</td>
<td>3,692</td>
<td>3,299</td>
<td>3,855(c)</td>
<td>43,442</td>
<td>50,002</td>
<td>52,303</td>
</tr>
<tr>
<td>September</td>
<td>126,453</td>
<td>160,415</td>
<td>181,820(c)</td>
<td>121,054</td>
<td>116,050</td>
<td>126,678</td>
</tr>
<tr>
<td>October</td>
<td>5,746</td>
<td>12,910</td>
<td>4,960</td>
<td>49,967</td>
<td>65,696</td>
<td>52,143</td>
</tr>
<tr>
<td>November</td>
<td>3,795</td>
<td>3,421</td>
<td>2,592</td>
<td>43,758</td>
<td>60,743</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>132,432</td>
<td>182,659</td>
<td>186,138</td>
<td>116,658</td>
<td>105,852</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>7,259</td>
<td>14,517</td>
<td>10,892</td>
<td>57,692</td>
<td>74,159</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>2,787</td>
<td>3,587</td>
<td>3,380</td>
<td>47,110</td>
<td>59,001</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>141,529</td>
<td>194,467</td>
<td>232,931(d)</td>
<td>144,125(d)</td>
<td>141,425(d)</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>5,473</td>
<td>9,242</td>
<td>19,489(d)</td>
<td>23,631(d)</td>
<td>18,979(d)</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>5,382</td>
<td>6,603</td>
<td>43,685</td>
<td>46,701</td>
<td>52,710</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>141,123</td>
<td>185,870</td>
<td>103,981</td>
<td>112,948</td>
<td>118,355</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$580,798</td>
<td>$787,200</td>
<td>$802,608</td>
<td>$858,384</td>
<td>$918,735</td>
<td></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) See footnotes (a), (e) and (f) to preceding table.

(b) Commencing March 1976, monthly collections reflect the requirement that vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters, file monthly returns, and make monthly payments, on an historical basis. In addition, collections in October through March of the 1978 fiscal year reflect the fact that vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters were required to make such payments for sales made between September 1, 1977 and February 28, 1978.

(c) See footnote (c) to preceding table.

(d) Certain large vendors are required to report and make payment in March for estimated amounts of Sales Tax for such month as well as making a payment for the preceding February and making a reconciliation for the quarter ended the preceding February 28. Adjustments necessary to report and reflect actual amounts of Sales Tax for the month of March are required to be made on the monthly return due in the following April.
Stock Transfer Tax

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

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

<table>
<thead>
<tr>
<th>Selling Price Per Share</th>
<th>Rate Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $5</td>
<td>1⅔¢</td>
</tr>
<tr>
<td>$5 or more but less than $10</td>
<td>2½¢</td>
</tr>
<tr>
<td>$10 or more but less than $20</td>
<td>3¾¢</td>
</tr>
<tr>
<td>$20 or more</td>
<td>5¢</td>
</tr>
</tbody>
</table>

Transactions Other Than Sales
Per share 2½¢

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

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

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

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

**QUARTERLY COLLECTIONS OF STOCK TRANSFER TAX**

<table>
<thead>
<tr>
<th>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>1970</td>
<td>$ 56,571</td>
<td>$ 70,509</td>
<td>$ 58,157</td>
<td>$ 54,732</td>
<td>$239,969</td>
</tr>
<tr>
<td>1971</td>
<td>46,563</td>
<td>59,170</td>
<td>78,864</td>
<td>79,769</td>
<td>264,366</td>
</tr>
<tr>
<td>1972</td>
<td>62,573</td>
<td>65,894</td>
<td>85,538</td>
<td>78,767</td>
<td>292,222</td>
</tr>
<tr>
<td>1973</td>
<td>59,405</td>
<td>68,993</td>
<td>64,658</td>
<td>51,731</td>
<td>244,787</td>
</tr>
<tr>
<td>1974</td>
<td>43,612</td>
<td>59,782</td>
<td>47,521</td>
<td>38,183</td>
<td>189,098</td>
</tr>
<tr>
<td>1975</td>
<td>35,756</td>
<td>40,214</td>
<td>51,363</td>
<td>58,649</td>
<td>185,982</td>
</tr>
<tr>
<td>1976(a)</td>
<td>53,049</td>
<td>57,937</td>
<td>90,285</td>
<td>65,376</td>
<td>266,647</td>
</tr>
<tr>
<td>1977(a)</td>
<td>62,220</td>
<td>69,072</td>
<td>79,045</td>
<td>70,759</td>
<td>281,096</td>
</tr>
<tr>
<td>1978(a)</td>
<td>68,770</td>
<td>82,072</td>
<td>79,188</td>
<td>123,944</td>
<td>355,974</td>
</tr>
<tr>
<td>1979(a)</td>
<td>112,478</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

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

The rates and maximum amounts of Stock Transfer Tax have been different for different categories of taxable transactions. Prior to October 1, 1977, the tax rate applicable to transactions involving sales by non-residents of the State (as defined in the Tax Law) made within the State had been 50% of the rates then applicable to residents (the "non-resident rate"). In addition, the amount of tax required to be paid on any taxable transaction which involved a sale on a single day (whether made by a resident or a non-resident) made within the State that related to shares or certificates of the same class and issued by the same issuer had been limited to $350 (excluding the surcharge) (the "maximum tax"). In January 1977, this distinction between sales made within the State and sales made outside of the State with respect to the maximum tax and the non-resident rate was declared unconstitutional by the United States Supreme Court. State legislation enacted in 1977 repealed the non-resident rate and the maximum tax, thus eliminating the unconstitutional distinction in the law between sales made within the State and sales made outside of the State. The legislation established a new maximum tax, applicable to qualifying sales made within or outside the State.

The Corporation believes that the new maximum tax will cause only a negligible loss in Stock Transfer Tax collections because, although precise data are not available, studies by consultants to the Corporation indicate that the number of transactions involving a sale made outside of the State and subject to a tax in excess of the maximum tax is not material.

In addition, in order to eliminate the competitive disadvantage created by the Stock Transfer Tax for the securities industry in New York, the legislation enacted in 1977 instituted a program of statutory rebates, which began October 1, 1977 with respect to transactions by non-residents subject to the tax and will begin October 1, 1979 with respect to transactions by residents. Rebates will increase gradually to equal 100% of the tax beginning October 1, 1981. The legislation provides that taxpayers will continue to pay the Stock Transfer Tax at the above-stated rates and that revenues will continue to be paid into the Stock Transfer Tax Fund, although a substantial portion of such revenues (the rebateable portion of the tax) will be paid into the Stock Transfer Tax Fund only at the end of each calendar quarter. To the extent that the Corporation does not require the use of Stock Transfer Tax revenues for debt service on its outstanding bonds and notes, and that under the Act such revenues would otherwise have been paid to the City, such revenues are available on a quarterly basis for payment of rebates. Any such revenues
not used by the Corporation or to pay rebates are to be paid to the City. In the opinion of Bond Counsel to the Corporation, the procedures with respect to the levy, collection, payment and rebate of the Stock Transfer Tax established by such legislation do not violate any of the provisions of the First or Second General Bond Resolution or any series resolution adopted pursuant thereto.

To date, the Corporation has not found it necessary to use the Stock Transfer Tax to pay its debt service. Based on present projections, the Corporation does not anticipate that it will be necessary to utilize the Stock Transfer Tax in the future, although no assurance can be given that it will not be so required. See “PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.”

**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...” For 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 will be the amount of principal of and interest maturing or otherwise due or becoming due in the succeeding calendar year on any Second Resolution Bonds then to be issued and on all other Second Resolution Bonds of the Corporation then outstanding, including for such purpose any unpaid amounts of principal and interest owing on Second Resolution Bonds 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 “General” in this PART 5.

Under the State Constitution, no money may be paid out of the State Treasury or any of its funds or out of any of the funds under its management except pursuant to an appropriation by law specifying the sum appropriated, and payment thereunder shall be made within two years immediately following passage of such law. Accordingly, the provision of the Act quoted above does not constitute an enforceable obligation or debt of the State. See “Appropriation by Legislature” in this PART 5.

22
A part of the net proceeds from the sale of the 1978 Series 10 Bonds will be deposited by the Corporation in the Capital Reserve Aid Fund in an amount sufficient to maintain the balance therein at 100% of the debt service coming due in calendar year 1979 on the Second Resolution Bonds, including the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The Corporation intends in connection with any future issuance of its Second Resolution Bonds through the end of the 1980 calendar year to maintain the Capital Reserve Aid Fund at 100% of the debt service coming due in the year of issuance. As of calendar year 1981, the Corporation must maintain the Capital Reserve Aid Fund at 100% of the succeeding calendar year's debt service, as required by the Act. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service on the Second Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of paying debt service on such Bonds becoming due and for the payment of which other moneys of the Corporation are not available.

**Federal Bankruptcy Legislation**

As discussed under “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY”, pursuant to the Federal Bankruptcy Act, Chapter 9, a petition for relief (a “Chapter 9 petition”) may be filed by any State agency that is authorized under State law to file such a petition. The Corporation is an agency and instrumentality of the State and, if authorized to file a petition by the State Legislature or other appropriate authority, could file a Chapter 9 petition if the Corporation were insolvent or unable to meet its debts as they mature, and were to meet the other conditions specified in Chapter 9. The Corporation is not now authorized by the State to file a Chapter 9 petition, although it may be so authorized in the future. If the Corporation commenced such a Chapter 9 proceeding, the 1978 Series 10 Bonds would be among the debts of the Corporation it could seek to modify or adjust by a plan in that proceeding. The Corporation does not anticipate that it will seek such authorization and does not anticipate a need for such relief.

Although the filing of a Chapter 9 petition with respect to the City might have a general adverse effect on the economic health of the City, the Corporation believes that the filing by the City or the Control Board of a Chapter 9 petition would not affect the ability of the Corporation to repay its obligations, including the 1978 Series 10 Bonds, see “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

A revised Federal Bankruptcy Act, including a revised Chapter 9, was signed by the President on November 6, 1978. Such revised Chapter 9, which is effective October 1, 1979, will not materially alter the provisions of Chapter 9 described above.

**PART 6—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS**

In order to estimate coverage ratios for the Second Resolution Bonds that will be outstanding after the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds, the Corporation has assumed certain amounts of Per Capita Aid, Sales Tax and Stock Transfer Tax collections. There is shown below the basis on which such amounts were calculated. The debt service payment requirements for the First and Second Resolution Bonds as well as certain coverage ratios are also shown below.

**Adjusted Per Capita Aid**

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, although during the Corporation’s 1978 fiscal year, no such claims were asserted. In making such estimates the Corporation has relied on information which it believes to be accurate and has assumed that such claims and liabilities do not exceed the limits set by law.
Per Capita Aid Paid into Special Aid Account during the Corporation's fiscal year 1978 ................................................................. $434,324

Less Potential Claims and Liabilities:

(a) City University Construction Fund ("CU CF").

The Corporation has been informed by CU CF that its annual requirements, for payment to the Dormitory Authority as its share of certain Dormitory Authority debt service and other expenses, are approximately $55.8 million, 50% of which would be a claim against Per Capita Aid if not otherwise paid by the City to CU CF. The Dormitory Authority anticipates the issuance in the near future of an additional approximately $30 million of bonds, 50% of the debt service on which could constitute an additional claim against Per Capita Aid. The New York State Financial Emergency Act for the City of New York (the "Emergency Act") permits a maximum claim of $65 million in any fiscal year of the City pursuant to the City University Construction Fund Act.

(b) New York City Housing Development Corporation ("HDC").

Amounts required to restore the HDC capital reserve fund to the amount required in such fund would be a claim against Per Capita Aid if not otherwise paid. 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 $19.9 million. HDC has outstanding $37.7 million in bond anticipation notes which HDC expects to fund with the issuance of bonds. The funding of such notes 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 therefor. The Emergency Act permits a maximum claim of the lesser of $35 million or an amount equal to the maximum annual debt service on bonds issued by HDC in an aggregate principal amount of $800 million.

(c) New York City Transit Authority ("NYCTA").

(i) Pursuant to Section 2 of Chapter 7 of the 1972 Laws of the State the City was required to pay an aggregate $51 million in equal annual installments for the ten years commencing December 31, 1972 to the NYCTA to enable the NYCTA to pay certain notes issued in anticipation of the receipt of revenues by the NYCTA. $15.3 million in aggregate principal amount of such notes, bearing interest at the rate of eight percent (8%) a year, are outstanding. 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.

(ii) 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 million 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 $20.0 million remains outstanding.

(d) New York City Police Pension Fund.

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

| Amount of Per Capita Aid for the Corporation's 1978 Fiscal Year, Net of such Potential Claims and Liabilities | $ 359,724 |
| Payments due annually from Per Capita Aid to the Trustees of the Police Pension Fund | $ 500 | $ 74,600 |
*Although the Emergency Act purports to limit claims on the Per Capita Aid as noted in (a) 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 to finance CUCF facilities are accelerated pursuant to the occurrence of an event of default under the related Dormitory Authority bond resolutions. In such event, all such outstanding bonds of the Dormitory Authority could be due and payable and could, to the extent of fifty per cent of such principal amount, have a prior claim on the Per Capita Aid. The Dormitory Authority has outstanding $627.6 million in such bonds and anticipates, as shown in item (a) above, that an additional approximately $30 million of such bonds will be issued shortly.

The potential claims and liabilities related to the NYCTA noted in (c) above will be reduced in each fiscal year through the fiscal year ending June 30, 1983 and as a result the amount of Per Capita Aid subject to such prior claims will decrease. Assuming that State appropriations of Per Capita Aid remain constant at $434 million and no additional obligations having a claim on the Per Capita Aid are issued by HDC or to finance CUCF facilities (including the proposed issuances referred to above), the adjusted Per Capita Aid (“Adjusted Per Capita Aid”) available to the Corporation would be as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Adjusted Per Capita Aid (Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$359,724</td>
</tr>
<tr>
<td>1980</td>
<td>380,132</td>
</tr>
<tr>
<td>1981</td>
<td>380,540</td>
</tr>
<tr>
<td>1982</td>
<td>380,948</td>
</tr>
<tr>
<td>1983 and thereafter</td>
<td>386,456</td>
</tr>
</tbody>
</table>

**Aggregate Sales and Stock Transfer Taxes**

Assuming that the Sales Tax and Stock Transfer Tax collections (after deduction of costs of administration, collection and distribution) in each fiscal year remain at the levels for the 12 months ended September 30, 1978, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax” and “Stock Transfer Tax”, and operating expenses of the Corporation remain at $5.5 million (the estimate for the current fiscal year), the aggregate annual amount which would be available from the Sales Tax and the Stock Transfer Tax, if needed (the “Aggregate Sales and Stock Transfer Taxes”), to pay debt service of the Corporation is shown below:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections for the 12 months ended September 30, 1978</td>
</tr>
<tr>
<td>Stock Transfer Tax collection for the 12 months ended September 30, 1978</td>
</tr>
<tr>
<td>Sub-total</td>
</tr>
<tr>
<td>Less: Operating expenses of Corporation</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
</tr>
</tbody>
</table>

(a) Exclusive of $63.285 million attributable to the 25% surcharge, discussed in “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Stock Transfer Tax.”

**Debt Service Requirements and Estimated Coverage Ratios**

As shown above, the Adjusted Per Capita Aid ranges from approximately $359.7 million for 1979 to approximately $386.5 million for 1983. As is also shown above, Aggregate Sales and Stock Transfer Taxes are approximately $1.26 billion.
The following table shows the aggregate annual debt service payment requirements on the First Resolution Bonds, which have a prior claim to that of the Second Resolution Bonds on the Sales and Stock Transfer Taxes. The 1978 Series 10 Resolution and certain other resolutions include a covenant by the Corporation that it will not issue any Bonds, Notes or Other Obligations under the First General Bond Resolution if the aggregate annual debt service in any fiscal year on all obligations issued and outstanding under the First General Bond Resolution would exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes).

In addition, the table shows the annual principal payments, interest payments and the aggregate debt service payment requirements on all outstanding Second Resolution Bonds after giving effect to the issuance of the 1978 Series 10 Bonds and the 1978 Private Series Bonds. The table also shows the coverage of aggregate annual debt service on Second Resolution Bonds by:

(i) Adjusted Per Capita Aid, after deducting therefrom the $5.5 million estimated operating expenses of the Corporation for the current fiscal year, and by

(ii) all revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) after deducting from such revenues the aggregate annual debt service requirements with respect to the First Resolution Bonds and operating expenses.

There is no assurance, however, that Adjusted Per Capita Aid, Aggregate Sales and Stock Transfer Taxes or operating expenses will in fact remain at the levels referred to above in subsequent years. Furthermore, the Corporation reserves the right to issue additional obligations pursuant to the First and Second General Bond Resolutions within the limitations contained in such Resolutions, the 1978 Series 10 Resolution and the Financing Agreement.
### Debt Service Payment Requirements and Estimated Coverage Ratios

*(after issuance of 1978 Series 10 Bonds and 1978 Private Series Bonds)*

**Dollars in thousands**

<table>
<thead>
<tr>
<th>12-Month Period Ended June 30</th>
<th>Total Debt Service Payment Requirements on First Resolution Bonds</th>
<th>Debt Service Payment Requirements on Second Resolution Bonds</th>
<th>Estimated Coverage Ratios on Second Resolution Bonds (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Payments (a)</td>
<td>Interest Payments</td>
<td>Total Debt Service</td>
</tr>
<tr>
<td>1979</td>
<td>$303,444</td>
<td>$33,745</td>
<td>$161,229</td>
</tr>
<tr>
<td>1980</td>
<td>321,869</td>
<td>36,555</td>
<td>219,840</td>
</tr>
<tr>
<td>1981</td>
<td>307,624</td>
<td>65,645</td>
<td>208,858</td>
</tr>
<tr>
<td>1982</td>
<td>298,542</td>
<td>70,150</td>
<td>203,560</td>
</tr>
<tr>
<td>1983</td>
<td>376,587</td>
<td>85,815</td>
<td>197,461</td>
</tr>
<tr>
<td>1984</td>
<td>376,125</td>
<td>116,485</td>
<td>189,288</td>
</tr>
<tr>
<td>1985</td>
<td>329,351</td>
<td>126,380</td>
<td>179,254</td>
</tr>
<tr>
<td>1986</td>
<td>377,974</td>
<td>149,670</td>
<td>167,847</td>
</tr>
<tr>
<td>1987</td>
<td>371,200</td>
<td>168,055</td>
<td>154,719</td>
</tr>
<tr>
<td>1988</td>
<td>373,315</td>
<td>183,475</td>
<td>140,362</td>
</tr>
<tr>
<td>1989</td>
<td>377,251</td>
<td>208,250</td>
<td>124,494</td>
</tr>
<tr>
<td>1990</td>
<td>375,083</td>
<td>220,120</td>
<td>107,090</td>
</tr>
<tr>
<td>1991</td>
<td>373,165</td>
<td>234,020</td>
<td>88,611</td>
</tr>
<tr>
<td>1992</td>
<td>373,155</td>
<td>252,585</td>
<td>68,790</td>
</tr>
<tr>
<td>1993</td>
<td>365,531</td>
<td>281,590</td>
<td>47,119</td>
</tr>
<tr>
<td>1994</td>
<td>365,471</td>
<td>42,970</td>
<td>33,937</td>
</tr>
<tr>
<td>1995</td>
<td>356,763</td>
<td>52,340</td>
<td>29,919</td>
</tr>
<tr>
<td>1996</td>
<td>62,810</td>
<td>25,061</td>
<td>87,871</td>
</tr>
<tr>
<td>1997</td>
<td>5,885</td>
<td>22,170</td>
<td>28,055</td>
</tr>
<tr>
<td>1998</td>
<td>5,785</td>
<td>21,678</td>
<td>27,463</td>
</tr>
<tr>
<td>1999</td>
<td>5,885</td>
<td>21,186</td>
<td>27,071</td>
</tr>
<tr>
<td>2000</td>
<td>16,660</td>
<td>20,240</td>
<td>36,900</td>
</tr>
<tr>
<td>2001</td>
<td>18,115</td>
<td>18,784</td>
<td>36,899</td>
</tr>
<tr>
<td>2002</td>
<td>19,700</td>
<td>17,200</td>
<td>36,900</td>
</tr>
<tr>
<td>2003</td>
<td>21,420</td>
<td>15,478</td>
<td>36,898</td>
</tr>
<tr>
<td>2004</td>
<td>23,295</td>
<td>13,606</td>
<td>36,901</td>
</tr>
<tr>
<td>2005</td>
<td>25,350</td>
<td>11,370</td>
<td>36,900</td>
</tr>
<tr>
<td>2006</td>
<td>27,545</td>
<td>9,356</td>
<td>36,901</td>
</tr>
<tr>
<td>2007</td>
<td>29,950</td>
<td>6,948</td>
<td>36,898</td>
</tr>
<tr>
<td>2008</td>
<td>32,570</td>
<td>4,330</td>
<td>36,900</td>
</tr>
<tr>
<td>2009</td>
<td>35,415</td>
<td>1,483</td>
<td>36,898</td>
</tr>
</tbody>
</table>

(a) Includes Sinking Fund Installments.

(b) Coverage ratios for the years 1997 to 2009 are not shown because of the relatively small amount of debt service in such years compared to the amount of revenues.

> 27
All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on the First and Second Resolution Bonds, shown in the table above for the years 1979-1995, from 3.75 times in 1995 to 2.32 times in 1989 and such coverages average approximately 2.62 times.

The Corporation anticipates that additional First and Second Resolution Bonds in the aggregate amount of approximately $2.175 billion will be issued over the next four years pursuant to the Debt Issuance Plan (after the issuance of the 1978 Series 10 and the 1978 Private Series Bonds, and that such issuances can be made within the coverage tests required to be applied under the First and Second General Bond Resolutions, the 1978 Series 10 Resolution and certain other resolutions of the Corporation, see “PART 7—BONDS BEING OFFERED—Additional Bonds and Notes”, on the basis of the assumptions described in this PART 6 and reflected in the above coverage table. The Corporation estimates that if such principal amount of bonds is issued, the total annual debt service on Second Resolution Bonds will increase to approximately $500 million in the late 1980's and early 1990's, assuming for purposes of this calculation that such bonds are issued at rates comparable to current market rates and that all such bonds are Second Resolution Bonds.

In addition to the aggregate debt service payments with respect to the First Resolution Bonds shown in the above table, the Corporation is required to make deposits into the Capital Reserve Fund established pursuant to the First General Bond Resolution. The required deposit into the Capital Reserve Fund for calendar 1979 will have been provided from the proceeds of the 1978 Private Series Bonds. The deposit for the 1980 calendar year is estimated by the Corporation to be approximately $90 million. The Corporation at present intends to provide for such deposit from the proceeds of the sale of additional bonds.

PART 7—BONDS BEING OFFERED

Description of the Bonds

General

The 1978 Series 10 Bonds will be issued pursuant to the Second General Bond Resolution and the 1978 Series 10 Resolution. The 1978 Series 10 Bonds will be dated November 15, 1978 and will mature on July 1, 2038.

The 1978 Series 10 Bonds will be issued as coupon bonds in the denomination of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon bonds and fully registered bonds will be interchangeable. The 1978 Series 10 Bonds will be registrable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the 1978 Series 10 Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new 1978 Series 10 Bond issued upon such exchange or transfer and any other expenses of the Corporation or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) will be paid by the Corporation as operating expenses.

Pursuant to the Act, the 1978 Series 10 Bonds include the 1978 State Covenant to the effect that the State will not take certain actions, including any action that will substantially impair the authority of the Control Board to act in specified respects with regard to the City. See “PART 12—AGREEMENT OF THE STATE OF NEW YORK.”
Optional Redemption

The 1978 Series 10 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1988, as a whole on any date, or in part by lot on any interest payment date or dates, at the following redemption prices (expressed as percentages of the principal amount), plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1990</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1992</td>
<td>101¹⁄₂</td>
</tr>
<tr>
<td>July 1, 1992 to June 30, 1994</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1994 to June 30, 1996</td>
<td>100¹⁄₂</td>
</tr>
<tr>
<td>July 1, 1996 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Sinking Fund Redemption

The 1978 Series 10 Bonds are also subject to redemption, in part by lot, 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 year, the principal amount of such 1978 Series 10 Bonds specified for each of the years shown below:

SINKING FUND INSTALLMENTS

(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>$16,660</td>
</tr>
<tr>
<td>2000</td>
<td>18,115</td>
</tr>
<tr>
<td>2001</td>
<td>19,700</td>
</tr>
<tr>
<td>2002</td>
<td>21,420</td>
</tr>
<tr>
<td>2003</td>
<td>23,295</td>
</tr>
<tr>
<td>2004</td>
<td>25,330</td>
</tr>
<tr>
<td>2005</td>
<td>27,545</td>
</tr>
<tr>
<td>2006</td>
<td>29,350</td>
</tr>
<tr>
<td>2007</td>
<td>32,570</td>
</tr>
<tr>
<td>2008</td>
<td>35,415*</td>
</tr>
</tbody>
</table>

* Payment at maturity.

Giving effect to the Sinking Fund redemptions set forth above, the average life of the 1978 Series 10 Bonds would be approximately 25½ years calculated from November 15, 1978.

The Corporation may from time to time direct the Trustee to purchase with moneys in the Corporation’s Bond Service Fund, 1978 Series 10 Bonds at or below par plus unpaid interest accrued to the date of such purchase, and apply any 1978 Series 10 Bonds so purchased as a credit, at par, against and in fulfillment of a required Sinking Fund Installment on such 1978 Series 10 Bonds. See “PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Bond Service Fund.” To the extent the Corporation fulfills its sinking fund obligations in a particular year through such purchases, the likelihood of redemption by lot of any bondholder’s 1978 Series 10 Bonds through the operation of the sinking fund will be reduced for such year. The Corporation has in the past made such purchases with respect to certain series of its Second Resolution Bonds and may in the future do so with respect to the 1978 Series 10 Bonds.
Trustee

United States Trust Company of New York is the Trustee under the Second General Bond Resolution. Its corporate trust office is located at 130 John Street, New York, New York 10038. For further information concerning the Trustee, see "PART 16—TRUSTEE."

Additional Bonds and Notes

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.3 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements), which amount was increased in June 1978 by the State Legislature from $5.3 billion. After the issuance of the 1978 Series 10 Bonds and the issuance of the 1978 Private Series Bonds pursuant to the Financing Agreement, the Corporation will have outstanding an aggregate $5.757 billion (exclusive of bonds that have been refunded), see "PART 3—OUTSTANDING DEBT OF THE CORPORATION."

Additional bonds may be issued under the Second General Bond Resolution on a parity with the 1978 Series 10 Bonds, provided that (a) the amount equal to the lesser of (i) the most recent collections of the Sales Tax and Stock Transfer Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amounts estimated to be collectible during the succeeding 12-month period from such sources as estimated by the State Commissioner of Taxation and Finance, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore 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 (c) 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 (d) estimated operating expenses of the Corporation for its then current fiscal year, is at least 2 times (e) the aggregate amount of the principal, including Sinking Fund Installments, and interest maturing or otherwise becoming due in the then current or any future fiscal year on all Second Resolution Bonds (including the particular series of such additional bonds then proposed to be issued). Although the Second General Bond Resolution provides for a 1.2 times coverage test on the basis described above, the 1978 Series 10 Resolution and certain other resolutions of the Corporation provide for a 2 times coverage test for such Bonds on such basis.

For so long as any 1978 Series 10 Bonds or certain other bonds of the Corporation remain outstanding, the Corporation may issue additional obligations under the First General Bond Resolution only to the extent that the issuance thereof would not cause the aggregate amount of interest and principal (including Sinking Fund Installments due thereon), maturing or otherwise coming due in any fiscal year of the Corporation on outstanding First Resolution Bonds and Notes and the interest on all Other Obligations (each such term as defined in the First General Bond Resolution) coming due in any fiscal year to equal or exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes that the Corporation may offer to the public under the First General Bond Resolution). In addition, the Corporation may issue additional First Resolution Bonds, Notes or Other Obligations under the First General Bond Resolution only if the following conditions imposed by such Resolution are met:

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

Under the Financing Agreement, the Corporation has agreed with the purchasers of the 1978 Private Series Bonds that, while the Financing Agreement remains in effect and unless such provision is waived or amended, the aggregate principal amount of the Corporation's bonds and notes outstanding at any one time under the First and Second General Bond Resolutions shall not exceed $8.3 billion. The Corporation has further agreed not to issue bonds other than pursuant to the First or Second General Bond Resolutions unless (i) the proceeds are used to purchase bonds of the City which have an investment grade rating and (ii) the City's operating budget for the fiscal year prior to the year of issuance shall have been balanced in accordance with GAAP. At June 30, 1982, when the Corporation's statutory authority to issue obligations, other than refunding obligations, expires, assuming the completion of all issuances of the Corporation's bonds contemplated by the Debt Issuance Plan (other than in lieu of the public issuance of unguaranteed City bonds), the Corporation would have outstanding approximately $6.9 billion of bonds. The Act currently prohibits the Corporation from issuing bonds (except for refunding bonds) other than pursuant to the First and Second General Bond Resolutions. The Corporation has also agreed with the purchasers of the 1978 Private Series Bonds, that, while the Financing Agreement is in effect and unless such provision is waived or amended, it will not issue, renew, or refund short-term notes unless payment of principal of and interest on such notes is subordinated to payments required to be made under the First and Second General Bond Resolutions. The Corporation has agreed not to issue short-term notes or Second Resolution Bonds unless such notes and bonds are protected by a two-times coverage test applicable to the maximum annual debt service on such notes and bonds. The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its bonds may be limited. These covenants of the Corporation contained in the Financing Agreement may be waived by, or modified with the consent of, Financial Institutions and City Pension Funds holding specified percentages of bonds purchased by them pursuant to the Financing Agreements. Furthermore, the covenants are of no further force and effect after neither the Financial Institutions nor the City Pension Funds any longer hold at least 10% of such bonds purchased by them. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Financing Agreement."

The Second General Bond Resolution contains further limitations upon the issuance by the Corporation of additional obligations under the First General Bond Resolution. See "PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION."

Under the Act and the Second General Bond Resolution, collections attributable to the now expired surcharge on the Stock Transfer Tax may be includable in determining the amount of additional Second Resolution Bonds which may be issued pursuant to Section 202 of the Second General Bond Resolution. The Corporation has no intention of including in the calculations of debt service coverage, for the purposes of the issuance test described in paragraphs 1 and 2 above, any tax collections (including the 25% surcharge on the Stock Transfer Tax) attributable to any periods after the date on which such taxes are scheduled to expire pursuant to legislation in effect at the time of such calculation.

PART 3—CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although the 1973 Series 10 Bonds are not obligations of the State, financial developments with respect to the State may affect the market or market prices for and sources of payment of the 1973
Series 10 Bonds. As described under "PART 5—PROVISIONS FOR PAYMENT OF THE BONDS", the revenues of the Corporation that are pledged to payment of debt service on the Second Resolution Bonds derive from Per Capita Aid and in certain circumstances the Sales Tax and the Stock Transfer Tax. The payment of these revenues to the Corporation is subject to appropriation by the State Legislature. The State Legislature has made appropriations to the Corporation for each of the State’s fiscal years since 1976, including appropriations for the State’s current fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. It is possible that the willingness of the State Legislature to make such appropriations may in the future be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City. Such willingness might also be adversely affected if the Secretary of the Treasury of the United States of America (the “Secretary”) withheld payments to the State as an offset against any claim the Secretary might have against the City or State pursuant to the Federal Guarantee Act. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act.”

The factors affecting the State’s financial condition are complex, and the following description constitutes only a brief summary. This PART 8 is based entirely on information supplied by the State.

Long-Term Trends

The State and the City face serious potential long-term economic problems. The City accounts for approximately 40% of the State’s population and personal income, and the City’s financial health affects the State in numerous ways.

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

Certain manufacturing facilities have recently relocated to other states. This trend has been partially offset by the location of some new manufacturing facilities in the State and by the expansion of existing facilities in the State. Some corporate headquarters have also moved from New York City to locations outside the State.

Part of the reason for the long-term relative decline in the State economy has been attributed to the combined State and local tax burden, which is the highest in the 48 contiguous States. The existence of this tax burden limits the State’s ability to impose higher taxes in the event of future financial difficulties.

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

The growing burdens of State and local taxation, in combination with the many other causes of regional economic dislocation, may have contributed to the decisions of businesses and individuals to relocate outside, or not locate within the State. In order to bring about a reversal of these trends, the State has begun a series of tax reductions and other programs that are intended both to limit expansion in the public sector and encourage expansion in the private sector. No immediate reversal of the erosion of the State’s economic position relative to the nation as a whole has been projected, but the State anticipates that actions taken thus far will help to reverse or at least slow this trend over time.

Financial Difficulties of Fiscal Years 1975 and 1976

During the last several years, some of the State’s public benefit corporations ("Authorities") and municipalities (in particular, the City) have faced extraordinary financial difficulties, which have
affected the State’s own financial condition. These events, which included a default, since cured, on short-term notes issued by the Urban Development Corporation ("UDC") and a continuation of the financial difficulties of the City, created substantial investor resistance to securities issued by the State and by some of its municipalities and Authorities. For a time, in late 1975 and early 1976, these difficulties resulted in a virtual closing of public credit markets for State and many State-related securities.

The State’s fiscal year ending March 31, 1976 showed a deficit of $447 million, which was financed by transferring $63 million from reserve funds and by issuing $382 million of tax anticipation notes which were paid early in the State’s succeeding fiscal year.

**Events During Fiscal Years 1977 and 1978**

In response to the financial problems confronting it, the State developed and implemented programs for its fiscal year ended March 31, 1977 that included (i) the adoption of a balanced budget for the fiscal year (a deficit of $92 million that actually resulted was financed by issuing notes that were paid on June 14, 1977), (ii) a borrowing plan that provided for the State’s estimated borrowing needs of $4.53 billion for its 1977 fiscal year, (iii) a plan (the "Authority Build-Out Plan") to meet the borrowing requirements through September 30, 1978 of four financially troubled Authorities (the "Build-Out Authorities") and (iv) provisions for appropriations to certain Authorities as part of a program to complete projects under construction and that avoided defaults on outstanding obligations. In addition, legislation was enacted limiting the incurrence of additional so-called “moral obligation” and certain other Authority debt, which limitation does not, however, apply to debt of the Corporation.

The fiscal year ended March 31, 1978 saw an improvement in the financial condition of the State, its Authorities and municipalities generally, although certain municipalities (including the City) and certain Authorities continued to face financial difficulties. The State adopted and adhered to a balanced budget. Actual receipts were $11.181 billion and actual expenditures were $11.177 billion. The State also adopted and implemented a $4.96 billion borrowing plan. Nearly all of the capital financing and all of the seasonal financing were made through sales to the public at interest rates substantially lower than those that applied in the preceding fiscal year.

The State continued to provide substantial financial and budgetary assistance to the City and other localities during its 1978 fiscal year. The State again advanced $800 million in local assistance payments to the City, increased the level of State support for the City University of New York, assumed a greater share of county and city court costs, and provided additional financial assistance to counties outside the City and to the State’s five largest cities other than New York City to alleviate local tax burdens.

**Potential Problems In Current And Subsequent Fiscal Years**

**Program For The 1979 Fiscal Year**

As revised on October 5, 1978, the State Financial Plan for its fiscal year ending March 31, 1979, provides for receipts which exceed expenditures, with receipts of $12.436 billion and expenditures of $11.825 billion. Projected State receipts are approximately $400 million higher now than previously projected in the State Financial Plan of April 4, 1978 because (i) greater than anticipated improvements in the State economy are expected to generate approximately $150 million in additional receipts and (ii) actual timing and method of implementation of the personal income tax reduction program differed somewhat from the assumptions used originally and such differences are expected to result in approximately $250 million of additional receipts. The State expects to pay as much as possible of the $600 million difference between receipts and expenditures as personal income tax refunds on 1978 income year returns during the final quarter of its fiscal year.

The State Financial Plan for the 1979 fiscal year assumes a continuation of the modest recovery experienced by the State’s economy in the State’s 1978 fiscal year but does not assume a reversal during the State’s 1979 fiscal year of the erosion in recent years of the State’s economic position relative to the national economy. Although the use of certain non-recurring receipts and the virtual exhaustion of
reserve funds to cover deficits in prior fiscal years have diminished the State's financial options in the event receipts are less, or expenditures are more, than those projected in the State Financial Plans, the State has informed the Corporation that the excess of receipts over expenditures presently forecast for the State's 1979 fiscal year, to the extent not used to pay personal income tax refunds, would appear sufficient to meet any reasonably foreseeable adverse contingency.

The State originally provided for implementation of a $4.24 billion borrowing plan for the fiscal year ending March 31, 1979. It is now anticipated that actual requirements will be approximately $80 million less, reflecting a decline in capital expenditures. The State also provided for adoption of a new borrowing plan for the Build-Out Authorities ("Build-Out Plan II") which was implemented when the Authority Build-Out Plan expired on September 30, 1978. Under Build-Out Plan II, $1.2 billion of financing, primarily short-term, is to be provided to the Build-Out Authorities to meet their financing requirements through September 30, 1980. As of October 2, 1978, the State estimated that approximately $616 million of financing would be required for the Build-Out Authorities prior to March 31, 1979. Approximately $495 million of such amount represents bond anticipation notes of the Build-Out Authorities for which commitments have been received from private and State related sources. The remaining $121 million is expected to be provided by the sale of bonds or bond anticipation notes of Build-Out Authorities to State related sources or to other buyers through public or private sales. A substantial portion of the financing for certain programs provided under Build-Out Plan II may, as currently contemplated, be represented by bond anticipation notes when Build-Out Plan II ends on September 30, 1980. If the Build-Out Authorities are then unable to renew such bond anticipation notes or sell bonds in the public market, other actions will be necessary to meet payments for maturing notes and construction payments.

The State has informed the Corporation that neither the State nor any Authority having the benefit of a "moral obligation" provision is in default in the payment of the principal of or interest on any bond, note or other evidence of indebtedness constituting a general obligation of the State or such Authority.

Problems of Authorities

The fiscal stability of the State is related, at least in part, to the fiscal stability of the Authorities. Various Authorities have issued bonds secured, in part, by statutory provisions for non-binding State appropriations to maintain various debt service reserve funds established for such bonds (commonly referred to as the "moral obligation" provision). Several Authorities, including some of those that have reentered the public securities market, still face potentially serious problems, particularly in their housing programs.

Among the more important problems of the Authorities are those related to Co-op City, a tenant cooperative on which an Authority, the New York State Housing Finance Agency ("HFA"), holds a $390 million mortgage financed under its non-profit housing program. Co-op City has faced financial difficulties for over three years growing out of a tenants' rent strike in opposition to higher rents. The financial condition of Co-op City, and, therefore, the financial condition of the non-profit housing program of HFA, remain uncertain at this date.

An agreement, which runs from August 1, 1977, through October 31, 1979, provides for increases in rent and co-operators' equity investments, discontinuance of a foreclosure action against the co-operators, resumption of mortgage payments to HFA (other than the June 1977 payment which is not addressed by the agreement), introduction by the Governor of legislation for a comprehensive program for certain state-aided housing (which legislation has not been enacted), and other matters.

In September and October 1978, Co-op City failed to make payments of $679,000 and $534,000, respectively, of the approximately $2.3 million monthly mortgage payment due to the HFA in each of those months. In November 1978, Jamie Towers, another non-profit housing project on which the HFA holds a $12.3 million mortgage, failed to pay $174,000 of a $428,000 semi-annual mortgage payment then due. The HFA is presently considering procedures for the collection of such mortgage arrearages. On November 1, 1978, as a result of such mortgage repayment arrearages and arrearages arising out of

34
the 1977 Co-op City agreement and a June 1977 mortgage payment not addressed by the 1977 agreement. HFA made a withdrawal from its non-profit housing debt service reserve funds in the amount of $4.6 million to pay required debt service. To the extent that moneys received from tenants and other sources are insufficient to cover such withdrawal or further withdrawals that may be made from the non-profit housing debt service reserve funds to pay required debt service, the State will be called upon to make appropriations, possibly substantial in amount, pursuant to the statute authorizing the HFA bonds (i.e., the "moral obligation" provision). The State Financial Plan contains provision for an amount sufficient to reimburse the non-profit housing debt service reserve fund for the recent withdrawals.

Co-op City is also the subject of various litigations. New York City has instituted a foreclosure action to collect real property taxes in arrears, which the City alleges aggregate $23 million and for which no provision for payment has been made in the current agreement. A number of Co-op City residents have commenced an action challenging the legality of the increased cooperators' equity investment that is part of the agreement. HFA and others are also involved in litigation in which certain residents and former residents of Co-op City allege fraud, breach of fiduciary duty and other violations of law regarding their contractual relations with the mortgagor under the Co-op City mortgage and seek various remedies, including damages of $233 million. The tenant-owned corporation that manages Co-op City has brought a cross-claim against HFA and others seeking $200 million in damages on the allegation that inadequate supervision of construction by State agencies will result in the need for remedial construction. HFA and the State Division of Community Housing and Renewal have entered a denial of the allegations in such cross-claim.

An engineering study was commissioned by the State to determine the nature, extent and cause of certain site conditions at Co-op City. The study was released on June 16, 1978 and the Co-op City tenants estimated that $55 million to $75 million would be needed to remedy certain defects. The State and HFA are currently reviewing the study.

The State cannot at this time determine the effect these factors may have on the agreement with Co-op City tenants or the extent to which that agreement may be carried out, nor can it determine the ultimate effect that the Co-op City settlement arrangements may have on other similar housing programs or on the ability to meet debt service payments on obligations issued to finance such housing programs.

In 1975, UDC, a major Authority, defaulted on certain of its short term notes, which default was cured as a result of various actions by the State and others. The State projects a continuing requirement to provide assistance to UDC. Based on current projections, UDC will require State appropriations totalling $170 million through the State's 1988 fiscal year (ranging from a low of $9 million in 1979 to a high of $25 million in 1984), to meet its requirements. Failure to make such appropriations would result in a default on $1.1 billion of UDC obligations. A default by UDC could interrupt the flow of Federal revenues and other income needed to operate projects originally built by UDC and now securing the obligations of the New York State Project Finance Agency ("PFA"), another Authority, and could lead to a default by PFA. Federal subsidy payments provide a substantial portion of the money needed for debt service on these obligations, and failure to meet certain Federal requirements could jeopardize these subsidies.

The Battery Park City Authority ("BPCA") has issued $200 million of "moral obligation" project bonds for the development of the landfill and infrastructure for a residential and commercial project in New York City. BPCA, as of April 30, 1978, had spent approximately $78.8 million of that amount on site acquisition, preparation and administration and, as of November 1, 1978, had paid an additional $79.9 million of that amount in debt service on outstanding bonds. The proceeds from such bond sale together with income derived from the investment of such proceeds, if not expended on construction, are estimated to be sufficient to meet administration costs and debt service on BPCA bonds only until 1984, at which time $192 million of BPCA bonds will still be outstanding. Although financing has not yet been obtained for construction of revenue producing facilities that would enable BPCA to meet its obligations on the bonds, BPCA anticipates the issuance of $80 million of housing bonds secured in part by a mortgage insured by HUD in an amount up to $68.5 million, which bonds would not be backed by the "moral
obligation" of the State. The proceeds from the bond offering would be used to develop part of the residential portion of the overall project. Even if such financing is obtained and the anticipated development is successful, BPCA will require the development of additional revenue producing facilities, costing in excess of an estimated $1 billion, to enable it to meet its obligations on the project bonds originally issued. If sufficient additional revenue producing facilities are not developed, it is likely that the State will be requested to make payments on the project bonds pursuant to the "moral obligation" provisions of the legislation governing the issuance of BPCA bonds.

Among other problems generally faced by Authorities, future increases in operating costs and interest rates may result in a need for increased rents, fees or user charges in Authority-financed projects, particularly residential housing projects and medical care facilities. Inability or unwillingness to pass increased costs on to residents or users of such projects would adversely affect the fiscal stability of the Authorities, and possibly cause the State to be requested to make appropriations to support such projects. There is no assurance, however, that the Legislature would make such appropriations.

**Litigation**

Various litigations are pending that may, if decided adversely to the State or the localities involved, adversely affect the State. Among the more significant of these litigations are those that challenge: (i) the constitutionality of an agreement among the State, the County of Albany and the City of Albany for construction and financing by the County for long-term lease to the State of the Empire State Plaza in Albany, and by extension any similar arrangements to which the State is a party (as of September 30, 1978, obligations incurred for construction of facilities to be leased to the State by various public authorities and municipalities were outstanding in an aggregate of approximately $796 million for such municipalities and approximately $5.113 million for such authorities); (ii) the validity of approximately $74 million of State bond anticipation notes, issued in March 1976 to reimburse the State's General Fund for capital expenditures in prior fiscal years, of which amount approximately $53 million were issued for back-bonding purposes, and by extension the validity of an additional approximately $58 million in such debt issued during the 1977 fiscal year which would also be affected by the outcome of the litigation; (iii) the constitutionality of the present system of levying taxes and applying funds for public school purposes; (iv) the authority of the Director of the Budget to withhold or impound local assistance funds to control or avoid deficits; (v) the validity and fairness of agreements and treaties by which the Oneida Indians transferred title to the State to approximately six million acres of land in central New York; (vi) the adequacy of supervision by certain State agencies over the construction of Co-op City, which failure will allegedly result in the expenditure of large sums of money for remedial construction and has resulted in claims of $200 million in damages by the tenant-owned corporation that manages Co-op City; (vii) the State's conduct in suppressing the 1971 Attica uprising; (viii) the valuation of a major utility company's franchises in 43 municipalities and the taxes based on such valuations; (ix) the fulfillment by the State of various obligations arising out of contracts entered into by the State's Department of Transportation; (x) the collection of unemployment insurance taxes under a State statute permitting the payment of unemployment insurance during strikes; and (xi) the methods and rates the State uses to make reimbursement for Medicaid services.

The present system of levying taxes and applying funds for public school purposes was ruled unconstitutional by the State Supreme Court (a trial court) in June 1973. The Legislature was afforded the opportunity to develop alternative financing plans. Pending development of such plans, the current system would be permitted to continue unless specifically enjoined. The State has announced that it intends to appeal the decision. It is extremely unlikely that there will be an effect on the State's tax structure, budget or economy during the 1979 fiscal year and the decision is unlikely to have a direct impact during the following year. However, unless the effects of the decision are modified by legislation, the decision would entail substantial additional State expenditure sometime in the future, which could affect the State tax structure, its budget and, possibly, its economy.

In the Spring of 1978, the State Court of Appeals (the State's highest court) held unconstitutional State legislation that authorized certain cities and city school districts with fewer than 125,000 persons
to, in effect, impose a special increase of real property tax rates in order to raise funds for pension contributions and for certain other uses, and also held unconstitutional a State tax on real property in such cities and school districts to be imposed in the event the Court of Appeals held unconstitutional the provision authorizing such increased local real property tax rates. Over $100 million annually was collected pursuant to rates in excess of the State constitutional limits in reliance on this legislation. Replacement of lost revenues has been provided in part through an increase in the assessed valuation of the real property in the affected localities. In addition, State loans aggregating up to $52 million have been authorized for certain school districts. These measures are expected to enable the affected cities and school districts to balance their budgets for their current fiscal years.

In May, 1978, the State Court of Appeals affirmed a decision requiring the State to include as local expenses eligible for partial State reimbursement certain fringe benefit costs incurred for certain health programs by Erie County during the third quarter of 1975. If the opinion were extended to include expenses of all counties retroactive to such quarters, the total State liability would approximate $50 million. Legislation enacted in September 1978 authorizes the State to deduct from any current aid payments to any county an amount equivalent to the amount paid to such county for such fringe benefit costs.

PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY

Although bonds of the Corporation are not obligations of the City, financial developments with respect to the City may affect the market for or market prices of the Second Resolution Bonds, including the 1978 Series 10 Bonds. The Corporation believes that its ability to repay the Second Resolution Bonds is not dependent upon the financial condition of the City. However, economic and demographic conditions in the City may affect the levels of Sales Tax receipts and Per Capita Aid, see “PART 5—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax” and “Per Capita Aid”. During the time the Bonds are outstanding, financial developments and other matters concerning the City will be the subject of reviews and reports by various agencies of Federal and State Government, see “PART 11—VARIOUS CONTROL PROGRAMS”.

This section describes the City’s Four Year Financial Plan, the cash sources the City has identified to cover its cash needs through its 1982 fiscal year, major assumptions and uncertainties with respect to these matters, and some of the financial difficulties the City is expected to face during the Four Year Financial Plan period and subsequently.

As required by the Act, the City has submitted and the Control Board has approved a financial plan for the 1979 fiscal year (as modified and approved, the “1979 Financial Plan”) in which it projects total revenues to equal or exceed total expenditures, after the adjustments permitted by the Act, as described below. The City has also prepared financial plans for the 1980-1982 fiscal years (together with the 1979 Financial Plan, as approved by the Control Board, the “Four Year Financial Plan”). These projections show potential operating budget deficits or budget gaps that the City proposes to close through a combination of Federal, State and City actions, many of which involve the passage of new legislation or adoption of new programs. There can be no assurance that projections of budget gaps will not increase or that such legislation and programs, or others which provide a comparable degree of assistance, will be enacted and adopted.

To meet the long-term and seasonal financing needs of the City during the period of the Four Year Financial Plan, the Debt Issuance Plan has been developed under which the Financial Institutions, City Pension Funds and State Pension Funds have agreed to make certain purchases of bonds of the Corporation and bonds and notes of the City. The Corporation and the City also plan to offer certain bonds and notes in the public credit markets. The Debt Issuance Plan is subject to a substantial number of conditions, among which are requirements that the City close the projected budget gaps to meet budgetary and financial requirements contained in State and Federal law, including the Act, and in the Guarantee Agreement, the Financing Agreement, and the Seasonal Agreement. Failure to meet
any of these conditions could adversely affect implementation of the Debt Issuance Plan. See "PART 2—FOUR YEAR DEBT ISSUANCE PLAN" and "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

It is an objective of the Four Year Financial Plan and the Debt Issuance Plan to enable the City to meet its financing needs after the 1982 fiscal year without reliance on continued financing assistance from the Federal government. The City and the Corporation currently expect this objective to be achieved if all the goals and requirements of such plans are met. Should this objective not be met, there is no assurance that the State or Federal government would continue programs similar to those relied on in the past and relied on as part of the Four Year Financial Plan and the Debt Issuance Plan, or develop new programs to provide budgetary and financing assistance to the City. See "Expiration of Plan," in this PART 9.

The following description is only a brief summary of the complex factors affecting the City’s financial condition. This section is based entirely on information reported to the Corporation by the City, the Control Board, the Special Deputy State Comptroller, presented in the Three Year and Four Year Financial Plans, or contained in other reports and statements referred to herein.

Financial Difficulties of 1975

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

In response to this crisis, the State in June 1975 created the Corporation (1) to issue long-term bonds and other obligations to provide funds to pay maturing City short-term notes and to meet certain operating expenses of the City, and (2) to monitor compliance with a series of financial reforms on the part of the City described under "PART 11—VARIOUS CONTROL PROGRAMS." In response to the City's continuing financial difficulties and upon recommendation of the Corporation, the State Legislature, in September 1975, adopted the Emergency Act, which created the Control Board. See "PART 11—VARIOUS CONTROL PROGRAMS." Among other State actions was an advance to the City at the end of the City's 1975 fiscal year of $800 million of State assistance moneys due the City in the succeeding fiscal year (an action repeated in each of the next three fiscal years).

Three Year Financial Plan: Fiscal Years 1976-1978

After it lost access to the public credit markets, the City took a number of steps which were intended to enable it to balance its budget, and to regain access to the public credit markets. As required by the Emergency Act, these included accounting reforms and development of a three-year financial plan (the "Three Year Financial Plan") to provide for a budget balanced in accordance with the Uniform System of Accounts for Municipalities, as modified for application to the City (the "Uniform System of Accounts, as adjusted") by the 1978 fiscal year. As permitted by the Act, the Uniform System of Accounts, as adjusted, contains two major deviations from GAAP. It permits accounting for contributions to employee retirement systems on a cash basis rather than on an accrual basis, and it authorizes including certain expense items in the City's capital budget in decreasing amounts during a phase-out period.

To provide short and long-term financing for the City, the City and the Federal government entered into an agreement (the "Federal Loan Agreement"), pursuant to Federal legislation, which provided the City with seasonal financing for three years, and the Corporation, the Commercial Banks and the City Pension Funds entered into an agreement to provide the City with long-term financing through June 30, 1978, through the sale of bonds of the City to the City Pension Funds, and through certain other
actions taken by the Commercial Banks and City Pension Funds. The Corporation also sold bonds in the public credit markets and paid the proceeds to the City, and exchanged certain of its bonds for outstanding short-term notes of the City. In addition, in November 1975, the State Legislature enacted the New York State Emergency Moratorium Act (the "Moratorium Act"), which suspended the rights of holders of short-term notes of the City to bring suit to enforce payment of such notes. In November 1976, the State Court of Appeals held the Moratorium Act unconstitutional. The $1.802 billion of short-term obligations affected by this decision were subsequently provided for, including $1.2 billion which were exchanged for Second Resolution Bonds.

To improve its accounting practices and to facilitate an audit of the City's financial statements, the City undertook the design and implementation of the integrated financial management system ("IFMS") to eliminate the fragmented set of systems and data processing facilities that had developed and to substitute in their place a single unified financial system. The City has reported that most elements of IFMS (including the recording of City expenditures and revenues) were implemented on June 30, 1977, are performing smoothly, and have provided the information necessary to perform the audit. Additional elements relating to payrolls and not necessary for the performance of the audit have been added to IFMS since June 30, 1977. It may be some time before these elements are operating in a satisfactory manner.

When the Three Year Financial Plan was first submitted to the Control Board for approval, it projected budget gaps in accordance with the Uniform System of Accounts, as adjusted, of approximately $1 billion, $600 million, and $700 million in the 1976, 1977, and 1978 fiscal years, respectively. To reduce the 1976 and 1977 gaps and close the 1978 gap the City took action to reduce the number of its employees, entered into labor contracts with its municipal labor unions consistent with the assumptions contained in the Three Year Financial Plan and with the wage guidelines adopted by the Control Board, increased the transit fare, and began charging general tuition at the City University of New York. In addition, the City received additional State and Federal revenues not projected in its initial Three Year Financial Plan submission. The results under the Three Year Financial Plan reported by the City Comptroller in accordance with the Uniform System of Accounts, as adjusted, were operating deficits of $968 million for the 1976 fiscal year and $329 million for the 1977 fiscal year. If the deficits in the City's operating budget were reported in accordance with GAAP, the City Comptroller has estimated that the effect would be to increase the reported deficits for the 1976 and 1977 fiscal years to approximately $1.370 billion and $1.039 billion, respectively.

The City's 1978 financial statements were audited by a consortium of accounting firms headed by Peat, Marwick, Mitchell & Co. The statements report results in accordance with the Uniform System of Accounts, as adjusted, as well as results reported in accordance with GAAP. Under the Uniform System of Accounts, as adjusted, the General Fund shows a surplus of $32 million; the General Fund deficit, when reported in accordance with GAAP, was $712 million.

The opinion of the consortium states that the City does not maintain complete records of its general fixed assets and that therefore a Statement of General Fixed Assets was not presented as required by GAAP. The opinion also states that the City's ability to obtain financing and balance its budget in accordance with GAAP within four years depends on assumptions and events which cannot be assured. The opinion also states that pending real estate tax certiorari proceedings, if decided adversely to the City, could have a substantial financial impact on the City for which no provision has been made. See "Litigation" in this PART 9. The opinion concluded that "subject to the effects, if any, on the financial statements of the ultimate resolution of the real estate tax issue" the financial statements present fairly the financial position and results of operations for the City's various funds in accordance with GAAP. A management letter, which may suggest changes in the City's reporting and accounting practices, is expected to be provided to the City at a later date.

The City planned to re-enter the public credit markets through an underwritten offering of its revenue anticipation notes in November 1977 to meet a portion of its seasonal financing needs. However, Moody's Investors Service Inc. gave the notes a Moody's Investment Grade ("MIG")-4 rating.
Loans bearing a MIG-4 rating are deemed by Moody's to be of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative. This rating was lower than anticipated, and the City, based on advice from its underwriters, cancelled the note offering and met all of its seasonal financial needs for the balance of the 1978 fiscal year through borrowing under the Federal Loan Agreement.

Four Year Financial Plan: Fiscal Years 1979-1982

Although the City accomplished the budgetary and accounting objectives of the Three Year Financial Plan, it did not regain access to the public credit markets. The agreements providing for Federal seasonal loans and for the sale of bonds of the City to the City Pension Funds, were to expire on June 30, 1978, the Control Board was to terminate within a few months of that date if it determined that the City's fiscal 1978 budget had been balanced as required and the Corporation had almost reached the limit of its issuance authority. The City, the Corporation, the Control Board and others, therefore, proposed a combination of actions intended to provide for the City's seasonal and long-term financing through the 1982 fiscal year and to enable the City to reenter the public credit markets, including development of the Debt Issuance Plan and the Four Year Financial Plan, extension of the Control Board, an increase in the Corporation's debt issuance authority, elimination of the State advance, and reduction of the City's seasonal financing requirements. The State and Federal legislation necessary to this program have been enacted, and the agreements necessary to implement the Debt Issuance Plan were signed on November 17, 1978. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN" and "PART 11—VARIOUS CONTROL PROGRAMS—Control Board."

Under the Act and the Emergency Act, for the fiscal years 1979 through 1981, the City's operating budget is to be balanced in accordance with the Uniform System of Accounts, as adjusted, and to show substantial progress in each year toward a budget balanced in accordance with GAAP. For the fiscal year 1982 and thereafter, the City is required to adopt an operating budget balanced in accordance with GAAP.

Pursuant to the Emergency Act, the City is also required to develop before the beginning of each fiscal year a financial plan for the next four fiscal years. On November 9, 1978, the Control Board approved the Four Year Financial Plan for the City and the Board of Education for fiscal years 1979 through 1982, including a modification to the 1979 Financial Plan. The Control Board also approved 1979 Financial Plans for those non-mayoral agencies subject to Control Board review under the Emergency Act (the "covered organizations") and directed the City to submit financial plans for the covered organizations for fiscal years 1980 to 1982 by November 22, 1978.

The Four Year Financial Plan projects for fiscal year 1979 an operating budget balanced in accordance with the Uniform System of Accounts, as adjusted. For the fiscal years 1980 and 1981, the Four Year Financial Plan projects budget gaps of $439 million and $879 million, respectively, determined in accordance with the Uniform System of Accounts, as adjusted, and in fiscal year 1982, a budget gap of $1,028 million, determined in accordance with GAAP. The City anticipates closing these budget gaps by a combination of City, State and Federal actions.

The estimates in the Four Year Financial Plan are based on past revenues received and expenditures incurred, as well as analyses of economic trends and the status of legislation affecting the City's finances. Although the City believes that its estimates are reasonable, budgetary projections are inherently uncertain of attainment and subject to continuing change and reevaluation, especially when they extend over several years and are heavily dependent upon non-controllable events. Consequently, the City has explicitly disclaimed any representation or warranty that such estimates will be realized. Substantial changes were made in the City's estimates of various revenues, expenses and cash flow during the term of the Three Year Financial Plan, and similar changes have been made and are to be expected during the term of the Four Year Financial Plan.

The Four Year Financial Plan is based on numerous assumptions that could, if not realized, result in material increases in the projected levels of expenditure or material decreases in the projected levels
of revenue. Unless offset by other changes, any such adverse effects would cause, or increase, a budget gap, which would require the development or utilization of appropriate responses in order to provide for operating budgets balanced in accordance with applicable standards.

The City’s ability to achieve a balanced budget in any fiscal year is further affected by policies established by the State and Federal governments, such as eligibility requirements for CETA, welfare, Medicaid, civil rights and environmental protection regulations and other mandated costs and practices. Further, even if estimated budget gaps do not increase above the levels projected in the Four Year Financial Plan, many of the City’s proposals to close the estimated budget gaps require Federal or State legislation or administrative action. Timely adoption and implementation of any particular proposals, or of any combination of proposals or alternatives that have the necessary cumulative effect, must be considered uncertain. To the extent that these measures prove to be unavailable or do not provide increased revenues, the City may be required to tighten controls on expenditures to an extent greater than anticipated.

1979 Financial Plan

The 1979 Financial Plan projects a budget balanced in accordance with the Uniform System of Accounts, as adjusted. To offset a decline in projected Federal revenues since the plan was first approved, the plan, as modified November 9, 1978, implements a selective hiring and promotion freeze announced by the Mayor on September 15, 1978 projected to produce a 2.7% decline in the number of City funded employees at the end of the 1979 fiscal year compared to the start of the fiscal year. The modification also revised revenue estimates and provided for implementation of a number of management improvement actions to offset $63 million of potential expenditure increases and revenue shortfalls identified by the Control Board Staff Report dated November 7, 1978 on the Four Year Financial Plan (the “Control Board Staff Report”). The Control Board Staff Report identified additional potential shortfalls of $120 million, including an $80 million revenue shortfall if the purchase by the State from the City of title to land for building the Westway highway project does not occur. The Control Board Staff Report also identified $50 million in potential additional revenue sources and $12 million of potential City actions which, together with a $100 million general reserve, were considered sufficient to permit approval of the modification.

Fiscal Years 1980-1982

The Four Year Financial Plan was developed by projecting revenues and expenditures from existing sources and for existing programs. To the extent that projected revenues are insufficient to provide for a budget balanced as required under the Act, the City has identified “budget gaps” in future years, which it anticipates closing by a combination of Federal, State and City actions. The City projects budget gaps of $439 million in the fiscal year 1980, $879 million in fiscal year 1981, and $1,028 million in fiscal year 1982. The Control Board Staff Report concluded that, assuming a moderate increase in State and Federal aid, the plan provided a reasonable basis for assuming that the City would achieve a balanced budget under GAAP by fiscal year 1982. It stated, however, that it will be very difficult to implement programs to reduce the budget gaps without a serious impact on City services and that service reductions could affect economic development efforts and ultimately the City’s revenue base.

To close the 1980 gap of $439 million, the City plans to take actions yielding $139 million in expenditure reductions or revenue increases and proposes that the State and Federal governments provide $300 million of additional assistance. For fiscal years 1981 and 1982 the proposed City contributions toward closing the gaps are $303 million and $427 million, respectively, and the State and Federal contributions proposed by the City are $576 million in 1981 and $601 million in 1982.
Planned City actions in 1980, 1981 and 1982 include attrition at the rate of 4% in each year, resulting in savings projected at $70 million, $196 million and $319 million, respectively, assuming wage costs in fiscal years 1981 and 1982 at the 1980 level. The Mayor has stated his intention to present to the Control Board in December 1978 a detailed workforce reduction program by agency and program to accomplish the attrition planned for 1980. He further stated that the City will consider hospital closings by the Health and Hospitals Corporation ("HHC"), may seek cooperation of the State to eliminate excess beds in voluntary hospitals, and may propose to eliminate or reduce other programs and services. Additional planned management improvement and cost containment programs have been specified for 1980 and the City has stated that such programs will be developed, if necessary, for the 1981 and 1982 fiscal years.

A variety of possible State and Federal actions have been proposed by the City and others which, if all were enacted and implemented, could provide the City with more than $1.4 billion in additional annual revenues. The amounts of the budget gaps proposed to be closed by such actions in fiscal years 1980, 1981 and 1982 are $300 million, $576 million and $601 million, respectively. It is unlikely that all of these proposals will be implemented during the period of the Four Year Financial Plan and there can be no assurance that enough of these actions, or others, will occur to provide the funds necessary to close these gaps.

The requirement that the City prepare a Four Year Financial Plan causes it to do advance detailed financial planning. The City must project its revenues from the State and Federal Governments before those governments have planned their expenditures for future years. During the period of the Three Year Financial Plan, the City projected that budget gaps comparable to those now projected would be closed by City actions and receipt of State and Federal revenues from programs not yet then enacted. The City was sufficiently successful in its own cost-saving and revenue-generating programs during that period and received sufficient State and Federal assistance to reduce its deficits under the Uniform System of Accounts, as adjusted, below the initially projected levels in its 1976 and 1977 fiscal years, and to report no deficit for fiscal 1978.

Notwithstanding the increases in State and Federal aid since 1975, the receipt of further large increases in Federal and State aid to close budget gaps must be regarded as uncertain.

The Special Deputy State Comptroller for New York City (the "Special Deputy State Comptroller") in reports dated September 29, 1978 and November 3, 1978 expressed uncertainty with respect to particular State and Federal actions proposed by the City and with respect to the projections of aggregate amounts to be provided by State and Federal actions to close the projected budget gaps. He estimated that, after taking into account increases in State and Federal revenues included in the City's revenue estimates, the increase in State and Federal aid from fiscal year 1980 to fiscal year 1982 necessary to close the projected gaps would exceed the growth in State and Federal assistance received by the City during the period from fiscal year 1977 to 1979. The reports concluded that because of the constraints on the ability of the State to increase its level of support to local governments, and the move toward a balanced Federal budget, the opportunities for increased assistance have been limited and the City's assumption regarding growth of Federal and State aid must be regarded as uncertain. The Control Board Staff Report also expresses the judgment that the City will not attain its maximum projection of increased Federal and State aid although the report indicates that it is not unreasonable for the City to expect some additional assistance.

At the request of the Control Board, the City has developed a supplemental program of City actions to reduce the budget gap, in the event of a shortfall in State and Federal assistance from the desired level. This supplemental program includes a 6% attrition program, various expenditure reductions, and potential increased revenues from local sources.

A second supplemental program of extraordinary additional City actions has been developed to reduce the budget gap still further. This program would require 8% attrition, the termination of half of all CETA employees partially funded by the City and either reductions in pay to all workers or layoffs.
After implementation of both these supplemental programs, the State and Federal actions projected as necessary to close the remaining budget gaps are $189 million, $201 million and $119 million in fiscal years 1980, 1981 and 1982, respectively.

The Control Board and the Special Deputy State Comptroller have reviewed the proposed City actions to evaluate whether they are achievable and what their impact will be. Their initial findings indicate that portions of the City program appear attainable, others are less likely of implementation without having an adverse effect on City operations and service delivery, and significant portions of the programs cannot be evaluated properly without further documentation. Both the Control Board and the Special Deputy Comptroller have requested the City to provide additional information with regard to the cost containment programs.

Reviewing the City's proposals, the Control Board Staff Report and the Special Deputy State Comptroller indicate that the City faces substantial difficulties in balancing its operating budgets during the Four Year Financial Plan and thereafter. For example, many actions to reduce expenditures were taken during the period of the Three Year Financial Plan; it will be more difficult to make further reductions in expenditures or to limit their growth during the period of the Four Year Financial Plan. Collections of real estate taxes may be reduced as a result of a State Court of Appeals decision and recent legislation that require all real property to be assessed at 100% of full value by January 1, 1981. Such assessment would cause substantial shifts in real property tax burdens—greatly increasing taxes on one and two family homes—and should the City choose to mitigate those effects, substantial revenue losses could result. See "Litigation" in this PART 9. The Special Deputy State Comptroller has noted in a report that the City's Four Year Financial Plan makes no provision for any increased labor costs which may result from labor settlements for the 1981 and 1982 fiscal years. The City also assumes that its costs for other-than-personal-services will increase at a rate less than the rate of inflation. City contributions to HHC and other covered organizations may exceed amounts provided in the Four Year Financial Plan, which provides for limited increases in the subsidies only to certain covered organizations; in the past, when the need for increased subsidies has arisen, the City has provided the necessary funds.

Efforts to increase revenues through higher taxes may be counterproductive; substantial resistance by labor groups to personnel reductions can be expected, and reductions in services may cause relations with various community groups to deteriorate. To the extent that the anticipated State and Federal actions to close projected budget gaps are not taken, additional City actions, including further expenditure reductions will be necessary.

There can be no assurance that the City will be able successfully to carry out the actions it proposes to take to balance its operating budget as required or develop and implement alternative actions, although the Mayor has stated his commitment to do so.

Cash Sources

The City projects meeting its net cash needs during the period of the Four Year Financial Plan from Federal and State aid, seasonal borrowings, the sale of Guaranteed City Bonds issued pursuant to the Guarantee Agreement and the sale of unguaranteed bonds to the public, the proceeds of the sale of certain bonds of the Corporation issued in the public credit markets and pursuant to the Financing Agreement, and, in fiscal year 1979, the sale of certain federally insured mortgages on City financed housing projects.

In the 1979 fiscal year the City anticipates that its need for cash from sources other than the scheduled receipt of taxes and other revenues will be substantially reduced from its needs in recent years. Projected seasonal borrowing needs are anticipated to be $750 million for the 1979 fiscal year, compared to needs of $1.9 billion in 1978, which were met through Federal seasonal loans. The reduction is due in part to the planned funding by the City, from the proceeds of the sale of the Corporation's bonds and other available moneys, of the $800 million advance by the State of State assistance moneys which was made in each of the 1975 to 1978 fiscal years.

43
The City Pension Funds and Commercial Banks have agreed, subject to certain conditions, to loan to the City $750 million evidenced by City notes. The City also intends to offer its notes for sale to the public, with an initial offering currently scheduled for December 1978; the commitment of the Commercial Banks and Pension Funds to make such loans will be reduced by the amount of any such public sales. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Seasonal Agreement."

The City projects its seasonal financing needs at between $800 million and $1 billion a year for the 1980, 1981 and 1982 fiscal years. Although the City may be able to meet all or a portion of its requirements in the public credit markets, no commitments by private sources to purchase the remainder of these notes, if the City is unable to sell them to the public, have yet been received.

No assurance can be given that the City's projections of when it will receive money from any of these cash sources will be met. Among other factors, the number and potential difficulty of the conditions which must be met before any sale of notes or bonds of the City or the Corporation pursuant to the Guarantee Agreement, the Financing Agreement, or the Seasonal Agreement takes place could prevent or delay any such sale. See "PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

**Litigation**

The notes to the City's audited financial statements for the 1978 fiscal year report that the City is a defendant in a significant number of lawsuits pertaining to material matters including those claims asserted which are incidental to performing routine governmental and other functions. As of June 30, 1978, claims in excess of $17 billion were outstanding against the City for which the City estimates its aggregate potential future liability to be $770 million. The City provides in its Four Year Financial Plan for the amount of claims anticipated to be settled during each year.

The notes to the City's audited financial statements for the 1978 fiscal year further report that in addition to the above claims and proceedings, numerous real estate tax certiorari proceedings are presently pending against the City on grounds of alleged overvaluation or inequality of assessment. These proceedings present a question with regard to the appropriateness of and weight to be afforded the equalization rate fixed by the State Board of Equalization and Assessment in determining the ratio of assessed value to full value in cases involving taxpayer challenge to assessments of real estate. Similar litigation has been commenced in other localities in the State, and in certain such localities, court decisions have been adverse to the taxing authority. An adverse decision to the City involving this issue could have a substantial adverse impact on the City. It has been estimated by the City's Real Property Assessment Bureau that the potential exposure to the City should an adverse decision on the issue of inequality be rendered could amount to as much as $1.3 billion. Remedial legislation has been enacted to limit and reduce such liability; however, this legislation is also being challenged. The City's Statement of Long-Term Obligations includes an accrual of $375 million for claims based on overvaluation, which amount is included in the $1.3 billion estimate, but no provision for this potential exposure if any, has been made in the City's Four Year Financial Plan.

For a description of additional litigation which relates to provisions of the 1978 Amendments intended to enable the City to limit the costs of labor settlements, see "PART 14—LITIGATION."

**Expiration of Plan**

The Four Year Financial Plan currently covers the fiscal years of the City ending with the 1982 fiscal year. Pursuant to the Emergency Act, before each fiscal year, the City is required to develop a four year financial plan projecting an operating budget balanced in accordance with GAAP for such year and projecting the City's budgetary and financing needs for the three succeeding fiscal years. It is anticipated that such financial plans for the succeeding fiscal years will show budget gaps for which additional Federal, State and City gap-closing actions may be necessary.

In 1983 and subsequent fiscal years, the City may face substantial budgetary and financing difficulties of a nature similar to those faced during the course of the Four Year Financial Plan. For a discussion of long-range financial and economic problems potentially facing the State, many of which are also faced by the City, see "PART 3—CERTAIN DEVELOPMENTS AFFECTING THE STATE—LONG TERM TRENDS."
For fiscal year 1983 and thereafter, the City has no commitments for the provision of either short-term or long-term financing. The City plans to meet such financing needs in the public credit markets. If it is not possible for the City to sell its notes and bonds, on reasonable terms and in sufficient amounts, there is no assurance that either the Federal government or the State would continue programs of budgetary and financing assistance similar to those currently being relied on.

**Federal Bankruptcy Legislation**

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

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

The filing of such a Chapter 9 petition would cause a failure of a condition to the obligation of the Financial Institutions and City Pension Funds to purchase bonds of the Corporation and could cause the Secretary to refuse to guarantee any additional City bonds and, pursuant to the Federal Guarantee Act, to withhold Federal aid payable to the City or the State.

Although the filing of such a petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a materially adverse effect on the Corporation's ability to repay its obligations, including the 1978 Series 10 Bonds. The filing of such a petition, as with other financial developments with respect to the City, might affect the market for and market prices of the 1978 Series 10 Bonds.

The Corporation has been advised by counsel that the revised Chapter 9 referred to in "Part 5—Provisions for Payment of the Bonds—Federal Bankruptcy Legislation" will not materially alter the provisions of the present Chapter 9 that are described above.

**PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN**

The financing requirements of the City during the Four Year Financial Plan are expected to be fulfilled through the sales of obligations of the Corporation and obligations of the City pursuant to the Debt Issuance Plan, see "Part 2—Four Year Debt Issuance Plan" and "Part 9—Certain Developments Affecting the City—Cash Sources." As described more fully in this Part 10, the implementation of the Debt Issuance Plan required the enactment of certain State and Federal legislation and the execution of the Agreements. The obligation of each of the purchasers to make the purchases called for by the Agreements and the obligation of the United States to issue guarantees under the Guarantee Agreement are conditioned upon completion of substantially all purchases theretofore required under each of the Agreements. In addition, purchases under each Agreement are subject to numerous and complex conditions imposed by Federal and State legislation or contained in the Agreements. Certain of such conditions may be difficult to fulfill, and many conditions are not within the control of the Corporation. Among such conditions are the requirements that the City adopt and adhere to operating budgets for fiscal year 1982, and thereafter, balanced in accordance with GAAP (and meet certain statutory and contractual requirements with respect to its operating budgets during fiscal years 1979 through 1981), and that specified portions of the Emergency Act, including the 1978 State Covenant, shall not have been repelled or rendered invalid or unenforceable in whole or in material part by any action of the State or judicial decision. Although the Corporation believes implementation of the Agreements and other elements of the Debt Issuance Plan is achievable, no assurance can be given that the applicable conditions of the Agreements will in the future be satisfied, or if satisfied that such
purchases will be made, or if such purchases are not made that the City will be able to fulfill its financing needs from other sources.

**State Legislation**

In June 1978 and September 1978, the 1978 Amendments were enacted amending the Act in order to permit the Corporation to fulfill elements of the Debt Issuance Plan relating to it. Prior to the passage of the 1978 Amendments, the Corporation had virtually exhausted its statutory authority to issue its bonds and notes. The 1978 Amendments increased from $5.3 billion to $8.3 billion the amount of bonds and notes (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal financing requirements) which may be issued by the Corporation, and it expanded the purposes for which the Corporation may issue its obligations. Included in the additional purposes are (i) payments to the City for any item which is permitted to be included in the City's capital budget, (ii) payments which will have the effect of reducing the City's requirements for State advances of State assistance moneys payable to the City, (iii) payments into the Guarantee Fund, and (iv) the financing of the City's seasonal borrowing requirements. The 1978 Amendments also extended the latest date on which the Corporation may issue obligations by two years to June 30, 1982 and increased the maximum maturity of obligations from twenty to thirty years, provided that no note or bond may mature later than July 1, 2008. Any note issued by the Corporation to finance the City's seasonal borrowing requirements must mature in the same fiscal year in which it is issued. Payments made by the Corporation to the City for capital items (exclusive of those expense items permitted by law to be included in the City's capital budget during the period of the phase-out of such items from the capital budget) must be evidenced by bonds of the City to be repaid on a schedule comparable to that for the bonds of the Corporation.

The 1978 Amendments also amended the Emergency Act to extend the duration of and to revise the duties and powers of the Control Board and to provide for the 1978 State Covenant. See "PART 11—VARIOUS CONTROL PROGRAMS—Control Board" and "PART 12—AGREEMENT OF THE STATE OF NEW YORK." For a description of litigation challenging certain of such provisions of the 1978 Amendments, see "PART 14—LITIGATION."

**Federal Guarantee Act**

In August 1978 the Federal Government enacted the Federal Guarantee Act to authorize the Secretary to guarantee the payment of principal of and interest on indebtedness of the City or the Corporation issued or to be issued to employee pension funds of the City or of the State or of their agencies, including the City Pension Funds and the State Pension Funds ("Guaranteed Indebtedness"). Such guarantees are subject to annual limitations and may not exceed $1.65 billion in aggregate principal amount outstanding. Federal guarantees are expected to be applied only to indebtedness of the City.

The Secretary's authority to issue guarantees terminates on June 30, 1982, and any such guarantee is required to lapse not later than fifteen years after the date of issuance of the indebtedness guaranteed or upon transfer of the indebtedness by a City or State Pension Fund (other than by transfer not involving a change in beneficial ownership).

The Federal Guarantee Act calls for the Secretary to collect a guarantee fee from the issuer computed at a daily rate of not less than ⅓ of 1% per annum on the outstanding principal amount of Guaranteed Indebtedness, and this fee may be increased without limit by the Secretary in order to induce the issuer to enter the public credit markets.

The issuance of all guarantees is subject to statutory limitations and conditions and such other conditions as the Secretary may impose. Prior to issuing any guarantee, the Secretary must determine, among other things, that (i) the City is effectively unable to obtain upon reasonable terms and conditions sufficient credit in the public credit markets or elsewhere to meet the City's borrowing needs; (ii) the interest rate on such Guaranteed Indebtedness is reasonable; (iii) there is a reasonable prospect that the Guaranteed Indebtedness will be repaid in accordance with its terms and
conditions; (iv) during the 1979 through 1982 fiscal years the long-term and short-term borrowing needs of the City (other than borrowing guaranteed under the Federal Guarantee Act) will be met by the State, an agency of the State, private sources or through the public credit markets in amounts that will enable the City after the 1982 fiscal year to meet its long-term and short-term borrowing needs through the public credit markets; (v) the Control Board is requiring the City (a) to adopt and adhere to operating budgets balanced in accordance with GAAP for the 1982 fiscal year and thereafter, (b) to make substantial progress toward that goal during fiscal years 1979 through 1981, and (c) prior to the 1982 fiscal year, to adopt and adhere to operating budgets balanced in accordance with accounting principles established under State law; (vi) the City has submitted a Four Year Financial Plan for the then current and three succeeding fiscal years which will result in budgets balanced as required by the Guarantee Act; (vii) the Control Board has demonstrated to the satisfaction of the Secretary that it has the authority to control the fiscal affairs of the City during the period Guaranteed Indebtedness is outstanding; (viii) in fiscal years 1980-1982, except during any year in which the City has presented a budget balanced in accordance with GAAP, the State has furnished assurance to the Secretary that State financial assistance to the City will not be less than was provided in fiscal year 1979; and (ix) the City has agreed to offer to sell for distribution to the public short-term notes in the 1980, 1981 and 1982 fiscal years and long-term bonds in the 1981 and 1982 fiscal years, unless the Secretary determines that any such offer would be inconsistent with the financial interests of the City.

The Secretary must also make the following determinations as a condition to issuing guarantees (all of the agreements of the City referred to below are provided for in the Agreement to Guarantee):

1. To provide for retirement of Guaranteed Indebtedness in advance of maturity, the City has agreed that in each year following the 1982 fiscal year the City will pay or provide for the payment of indebtedness then guaranteed, giving priority to indebtedness having the longest maturity, in a principal amount not less than 15% of the net proceeds of obligations of the City (and of obligations of the Corporation the proceeds of which are paid to the City) issued in the public credit markets during such year. The City also has agreed that as soon as practicable after the Secretary determines that the City has demonstrated its ability to meet its long-term credit needs through the public credit markets, the City will implement a program satisfactory to the Secretary for refunding any outstanding Guaranteed Indebtedness to achieve complete repayment at the earliest practicable date. Both such requirements are subject to the Secretary's consideration of the effect of such requirements on the City's ability to meet its long-term credit needs in the public credit markets.

2. To provide for monitoring of the financial condition of the City for such time as any Guaranteed Indebtedness remains outstanding, the City has agreed to submit to the Secretary, after the close of each fiscal year during which any Guaranteed Indebtedness is outstanding, an opinion of independent public accountants setting forth the results of an audit of the financial statements of the City and describing any deviation from GAAP. The City has agreed to establish an audit committee to assist in determining the areas of inquiry for, and to review and evaluate, such audits. In addition, during such time as Guaranteed Indebtedness is outstanding, the Secretary is authorized to inspect all documents of the City or the Corporation relating to the City's financial affairs and the General Accounting Office may make such audits of the City or the Corporation as may be deemed appropriate by the Comptroller General. The City also has agreed to establish a productivity council to develop and seek to implement methods for enhancing the productivity of the City's labor force.

3. At the time any guarantee is made by the Secretary, the State or a State agency (in this case, the Corporation) has deposited in a fund (the Guarantee Fund) an amount which together with amounts previously deposited therein, shall equal not less than 5% of the principal of, plus 5% of one year's interest on, the Guaranteed Indebtedness outstanding (including the amounts to be guaranteed at the time the deposit is made). Amounts on deposit in the fund shall be used to pay, or to reimburse the Treasury for paying any principal of and interest on such indebtedness that the issuer of the Guaranteed Indebtedness fails to pay. See "PART 4—USE OF PROCEEDS." In addition, if the Federal Government has any claims against the City or the State pursuant to the Federal Guarantee Act, the Federal Guarantee Act requires the Secretary to provide for the withholding of payments from the United States to the City or State that may be or may become due pursuant to any law.
The City and the State are required to be meeting their obligations under the Federal Guarantee Act at the time of each issuance of a guarantee.

The Secretary may authorize guarantees in the 1982 fiscal year (other than carryover authority from the three prior fiscal years) only if he determines that the City has presented a budget for the 1982 fiscal year that is balanced in accordance with GAAP. The Federal Guarantee Act provides that in addition to the terms and conditions for the issuance of guarantees set forth therein, the Secretary may require other terms and conditions which he deems appropriate. See “Guarantee Agreement” in this PART 10.

No assurance can be given that the City will be able to meet the conditions necessary to enable it to obtain Federal guarantees during the remainder of the Debt Issuance Plan, if required. For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Federal Guarantee Act, see “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY”. Furthermore, either the United States House of Representatives or the Senate may disapprove guarantees in either or both the 1980 and 1981 fiscal years, in whole or in part.

Pension Legislation

In October 1978, the Federal Government enacted legislation (“Pension Legislation”) that has the effect of exempting from certain “prohibited transaction” and “exclusive benefit” provisions of the Internal Revenue Code purchases by the City and State Pension Funds of bonds and notes to be sold to them as part of the Debt Issuance Plan.

The provisions of the Pension Legislation apply to purchases of obligations of the Corporation and of the City by City Pension Funds pursuant to an agreement approved by the Secretary. In the case of a City Pension Fund, the general standard to be applied by the Secretary in approving an agreement is the extent to which such purchases will (1) maintain the City’s ability to make future contributions to the City Pension Funds and to satisfy its future obligations to pay pension and retirement benefits and (2) protect the sources of funds to provide retirement benefits to members and beneficiaries. To approve such an agreement the Secretary must consider the terms of the proposed purchases and receive satisfactory assurances that the State, a State agency, private sources, or public markets will participate significantly in the acquisition of obligations of the City or the Corporation. No acquisition may be made unless the Secretary determines that the City is complying with the budget and financial reporting conditions of the Federal Guarantee Act, and no such acquisition after March 15, 1980 may be made by a City Pension Fund unless a copy of its most recent annual report and statement of projected cash flow, which must comply with certain prescribed standards, have been submitted to the Secretary.

An acquisition of obligations of the City or the Corporation made by the City or State Pension Funds satisfies the requirements of the Pension Legislation only if: (i) in the case of a State Pension Fund, no more than 10 percent of its assets consist of indebtedness of the City or the Corporation at the time of the acquisition; (ii) in the case of a City Pension Fund, no more than 50 percent of its assets consist of such indebtedness at the time of the acquisition and the aggregate amount of such indebtedness held by all the City Pension Funds and the New York City Fire Department Pension Fund, Article I-R, at the end of the prior fiscal year shall not have exceeded specified percentages of their combined assets (for the 1979, 1980, 1981, and 1982 fiscal years the percentages are 40, 36, 33, and 30 percent of their combined assets, respectively) and (iii) after the acquisition of such bonds, such City Pension Fund will have a positive cash flow for the fiscal year in which such obligations were purchased.

Financing Agreement

The obligations of the Financial Institutions and City Pension Funds to make the purchases called for by the Financing Agreement are subject to many conditions, certain of which are referred to below.

A purchase scheduled to be made pursuant to the Financing Agreement is required to be made only if substantially all scheduled purchases under the Debt Issuance Plan have been made at such time and if the Guarantee Agreement, including the obligations of the City and State Pension Funds to make the purchases required thereby, shall be in full force and effect, and shall not have been amended or modified in any material respect or any material provision thereof waived, and the United States shall have guaranteed and the City and State Pension Funds shall have purchased substantially all of the
Guaranteed Bonds theretofore to have been guaranteed and purchased pursuant to such Agreement. For a description of statutory conditions required to be fulfilled in order that the Guarantee Agreement remain in full force and effect, see "Federal Guarantee Act" in this Part 10.

Certain of the conditions contained in the Financing Agreement are directly related to the financial condition and prospects of the City and the authority of the Control Board to control the fiscal affairs of the City. Among the conditions applicable at the time of each purchase are the following: (i) the Control Board must have determined, in effect, that the borrowings reflected in the City's then current financial plan will be sufficient to satisfy the City's seasonal and long-term borrowing requirements during the period covered by such plan; (ii) an agreement (the "Adherence Agreement") executed by the City with the Financial Institutions and City Pension Funds to comply with the provisions of the Emergency Act, must be in full force and effect and the City must not be in breach thereof; (iii) the City's reported operating budget deficit, if any, for the fiscal year prior to any purchase, the projected operating budget deficit, if any, for the then current fiscal year, and the City's seasonal borrowing needs for the then current fiscal year, do not exceed specified limits (2% of revenues in the case of an operating budget deficit); and (iv) the Control Board must determine that the City is in substantial compliance with outstanding orders of the Control Board. Additionally, there must be no default in payment of principal or interest on any indebtedness, or in payment of certain contracts of, the Corporation, the City, the State or any general obligations of any agency whose obligations are backed by the "moral obligation" of the State; the 1978 State Covenant, as described in "PART 12.—AGREEMENT OF THE STATE OF NEW YORK," must be included in the bonds and must not have been amended or modified in any material respect; and the Resolutions and the Act must not have been amended in any way materially adverse to the interests of the Financial Institutions or City Pension Funds.

The pendency of certain litigation relating to certain of the powers or duties or the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Financing Agreement would also cause a failure of a closing condition under the Financing Agreement. The obligations to make purchases under the Financing Agreement are also subject to the continued effectiveness of certain legislation relating to, among other things, the fiduciary obligations of the trustees of the City Pension Funds with respect to prior purchases of bonds of the City by such City Pension Funds. Such legislation is the subject of pending litigation. No decision to date in any of such actions has declared any of such legislation ineffective. The obligations of the City Pension Funds to make the purchases called for in the Financing Agreement are subject to the enactment of certain State legislation relating to the powers and duties of the Funds, the City making all contributions to such Pension Funds on a specified regular basis, and the qualification of such purchases under the Pension Legislation. The obligation of the Financial Institutions to make the purchases called for is conditioned upon the absence of certain specified threats to the continued status of the bonds as tax exempt securities.

In addition to the conditions described above, at the time of each purchase there shall have been no governmental actions or liens that result in a material adverse change in the prospects for payment of the principal or premium, if any, or interest on the bonds to be purchased and the bonds to be purchased must have an investment grade rating from Standard & Poor's Corporation and Moody's Investors Service, Inc.

The Financing Agreement requires that funds advanced by the Corporation to the City for capital expenditures shall be evidenced by City bonds and that City bonds received by the Corporation prior to July 1, 1982 shall include the 1978 State Covenant. It further requires that prior to March 31, 1979, the Corporation shall exchange at least $20 million aggregate principal amount of City bond anticipation notes it currently holds for an equal principal amount of City bonds containing the 1978 State Covenant and requires the Corporation, in certain instances, to take action to enforce the 1978 State Covenant. The Corporation has further agreed with the purchasers of the 1978 Private Series Bonds that, after the 1982 fiscal year, if the State breaches the 1978 State Covenant or if specified provisions of the Emergency Act are declared invalid by judicial decision, at the request of Financial Institutions or Pension Funds who are holders of a specified percentage of certain bonds sold pursuant to the Financing Agreement, the purposes for which the Corporation may issue its bonds may be limited.
For a description of certain conditions and plans of the City that may affect the fulfillment of certain conditions contained in the Financing Agreement, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

Any bonds purchased pursuant to the Financing Agreement, other than the 1978 Private Series Bonds, will bear interest at a rate computed in accordance with a formula specified in the Agreement. The formula takes into account various market factors and will result in a rate equal to or somewhat higher than the rate at which such bonds would be successfully distributed in the public credit markets.

**Guarantee Agreement**

The Guarantee Agreement provides, subject to the fulfillment of numerous conditions, that the City and State Pension Funds will purchase, and the United States will guarantee the payment of the principal of and interest on, up to $500 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1979 and up to $250 million principal amount of Guaranteed Bonds issued and sold to the City and State Pension Funds in fiscal 1980. In addition, the Agreement permits the Secretary, subject to the same conditions, to guarantee, on behalf of the United States, up to an aggregate of $900 million of City bonds sold to the City and State Pension Funds in fiscal 1981 and 1982 (with no more than $300 million in fiscal 1981), to the extent that the Secretary determines the City and the Corporation are unable to sell their bonds on reasonable terms in the public credit markets. The City and State Pension Funds have agreed to purchase in fiscal 1981 and 1982 up to $900 million principal amount of City bonds which the United States may guarantee in those years.

Prior to the giving of any guarantee under the Guarantee Agreement, the Secretary must determine that all conditions required by the Federal Guarantee Act have been fulfilled. See "Federal Guarantee Act" in this PART 10. Issuance of Federal guarantees under the Guarantee Agreement also is subject to certain additional conditions among which are the following: Guarantees are required to be made under the Guarantee Agreement only if substantially all scheduled purchases under the Debt Issuance Plan have been made at the time of any issuance by the City of bonds to be guaranteed. The City must be in substantial compliance with its then current four year Financial Plan. The Financing Agreement must be in full force and effect without material amendment, modification or waiver not approved by the Secretary. The Emergency Act must remain substantially in full force and effect, the City must be in substantial compliance therewith, including the borrowing limits imposed on the City by such Act. The pendency of certain litigation relating to certain of the powers or duties of the duration of the Control Board, the obligations of the City under the Emergency Act, the 1978 State Covenant or the Adherence Agreement or the provisions or sources for payment of the bonds purchased under the Guarantee Agreement would also cause a failure of a closing condition under the Guarantee Agreement.

Bonds guaranteed pursuant to the Guarantee Agreement must mature serially within 15 years from the date of issuance. The Federal guarantee lapses upon any transfer of the bonds, other than a transfer not involving a change in beneficial ownership. The Guarantee Agreement requires the City to pay a guarantee fee equal to ½ of one percent per annum of the outstanding principal amount guaranteed, which percentage may be increased without limit by the Secretary in order to induce the City to reenter the public credit markets.

As required by the Federal Guarantee Act, the City has made all agreements required to be made as a condition to the Secretary's issuance of guarantees. See "Federal Guarantee Act" in this PART 10.

The Guarantee Agreement also provides for the establishment of the Guarantee Fund by the Corporation. As required by the Federal Guarantee Act, prior to the issuance of any Federal guarantee, an amount equal to five percent of the sum of the principal of and one year's interest on the outstanding and then to be issued Guaranteed City Bonds is required to have been deposited in the Guarantee Fund, see "PART 4—USE OF PROCEEDS." Additionally, the Corporation has agreed to surrender for cancellation, without payment, the notes of the City it currently holds, other than bond anticipation notes. The Corporation has further agreed to surrender such bond anticipation notes for cancellation, to exchange them for City bonds or to make other provisions with respect to their payment satisfactory to the Secretary on or before March 31, 1979 or such later date as the Secretary shall agree.

For a description of certain conditions and plans of the City which may affect the fulfillment of various conditions contained in the Guarantee Agreement, the Federal Guarantee Act and the Pension Legislation, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

50
Seasonal Agreement

The Seasonal Agreement provides commitments by the Commercial Banks and the City Pension Funds to make loans evidenced by revenue anticipation notes of the City (the "Notes") in an aggregate principal amount of up to $750 million during the 1979 fiscal year. Notes due in April would be issued by the City in anticipation of State aid to education and State welfare assistance anticipated to be received in April 1979; Notes due in June 1979 would be issued by the City in anticipation of the receipt by the City in June 1979 of State aid to education and higher education, State welfare assistance and, after satisfaction of the Corporation's funding requirements, State Per Capita Aid, Sales Tax and Stock Transfer Tax collections payable to the City. All Notes would contain the pledge of the City of its faith and credit.

The Seasonal Agreement provides that the aggregate amount to be made available under such Agreement will be $500 million on and after the date of such Agreement with an additional $250 million made available on and after January 1, 1979. The commitment to make loans expires on March 30, 1979, and the aggregate amount of the commitment is reduced by the amount of any notes maturing prior to July 1, 1979 issued by the Corporation to satisfy the City's seasonal financing needs or issued by the City other than pursuant to the Seasonal Agreement.

The interest rate on the Notes is to be determined by a formula based on the Federal Funds Rate but may not in any event be less than 7.5% or exceed 9.5%. The Notes may be prepaid by the City, unless a lender elects on a specified date to exchange Notes for notes having the same form as notes, if any, sold by the City in the public credit markets and bearing interest at a rate equal to the yield to maturity on publicly traded City notes at approximately the time of exchange. The City has also agreed to pay a commitment fee equal to one-half percent per annum of the amount of the available commitment plus the amount of the outstanding Notes prior to exchange, subject to reduction in certain circumstances.

The Seasonal Agreement contains conditions to make loans substantially similar to those contained in the Financing Agreement with respect to purchases required to have been made pursuant to the Financing Agreement and the Guarantee Agreement. In addition, the Seasonal Agreement requires, that the City's cash flow statements do not show a seasonal financing need as of the date of such statements or for the remainder of the 1979 fiscal year in excess of $750 million. Among the many other conditions to loans contained in the Seasonal Agreement are those relating to (i) waiver by the Secretary of certain priorities of the United States; (ii) the revenues in anticipation of which the Notes are to be issued; (iii) events or circumstances which materially increase the possibility that payment of the Notes will not be made when due; (iv) the satisfaction of certain coverage requirements in relation to anticipated revenues; (v) the City's operating budget deficit for the 1979 fiscal year not exceeding certain specified limits; and (vi) the effect of litigation on certain specified matters.

The City has covenant to employ its best efforts to satisfy the maximum practicable amount of its seasonal borrowing requirements (taking into account yield, maturity and other factors) through sales of notes to the public. The City has also covenant to comply with the provisions of the Emergency Act, and the Four Year Financial Plan. The City is to include the 1978 State Covenant in the Notes.

For a discussion of certain conditions and plans of the City that may affect fulfillment of certain conditions contained in the Seasonal Agreement, see "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

PART 11—VARIOUS CONTROL PROGRAMS

This Part describes the powers of the Corporation to aid the City, the requirements imposed upon the City by the Act and the Emergency Act, and the powers of the Corporation and the Control Board to review and take action with respect to the City's compliance with such requirements. For a description of other budgetary and financial requirements imposed upon the City pursuant to the Federal Guarantee Act, the Pension Legislation and the Agreements, see "PART 10—LEGISLATON AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN."

51
Powers of the Corporation

The Act authorizes the Corporation to make direct payments to or purchase obligations of the City, subject to the conditions described under "Conditions to Payments to the City" in this Part 2. Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $8.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements).

The Corporation may pay to the City part or all of the amounts certified by the Mayor to be required by the City (a) to pay principal and interest on short-term City obligations at maturity, (b) to pay any item permitted to be included in the City's capital budget, (c) to reduce the City's requirements for an advance of State assistance moneys, (d) to meet the City's seasonal borrowing requirements, or (e) to pay operating expenses of the City other than those included in (b), (c) or (d). Amounts received pursuant to (a) must be held in trust by the City and used for such purpose. All other amounts received must be used to pay such expenses for which certification has been made. City obligations issued in consideration for payments pursuant to (a) or (e) must mature within 15 years from the date of issuance. Amounts advanced pursuant to (e) may not exceed $2.0 billion in aggregate principal amount outstanding; as of the date hereof, such advances aggregate $1.9997 billion. Amounts paid pursuant to (b), other than for expense items permitted to be included in the capital budget, must be evidenced by City bonds that mature on substantially the same schedule as bonds of the Corporation issued to make such payments.

The Corporation is authorized 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. As of the date hereof, the Corporation has issued $1.839 billion aggregate principal amount of Second Resolution Bonds in exchange for an equal principal amount of outstanding short-term obligations of the City.

Any short-term obligations of the City held by the Corporation (other than bond anticipation notes) may be delivered to the City for cancellation without payment of principal or interest thereon. Bond anticipation notes held by the Corporation may not be delivered to the City for cancellation without payment of principal and interest unless the Mayor and the City Comptroller have requested that they be delivered for cancellation. City bonds held by the Corporation may not be delivered to the City for cancellation without payment unless they are refunded or renewed. In addition, City bonds may not be sold or transferred to anyone other than the City unless the Mayor and the City Comptroller have requested such action.

Conditions to Payments to the City

The Act provides that, at the time of any purchase by the Corporation of City obligations or any exchange of the Corporation's bonds or notes for 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 Act provides that the statutory conditions, as modified by the Corporation and agreed to by the City, shall cease to apply when all bonds and notes of the Corporation have been repaid or such repayment is provided for as specified in the Act.

The statutory conditions 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-incurrence 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 as required by the Act as in effect before passage of the 1978 Amendments, the City adopted as its method of accounting the accounting principles set forth in the Uniform System of Accounts, as adjusted. The City's audited financial statements provided to the Corporation for the City's 1978 fiscal year were prepared and those to be prepared for each subsequent fiscal year are to be prepared in accordance with GAAP, with the
adjustments necessary to show results in accordance with the Uniform System of Accounts, as adjusted, for fiscal years 1978 through 1981.

(ii) The Act, as in effect after passage of the 1978 Amendments, requires the City to comply with various provisions of the Emergency Act relating to balanced budgets, provisions for debt service and other financial requirements. The City remains obligated to submit its proposed operating budgets (and any subsequent increases in expenditures therein) and operations reports for each fiscal year and each quarter to the Corporation for review as to whether the City is adhering to an operating budget in which the total of all income equals or exceeds the total of all expenditures, after the adjustments permitted by the Act.

(iii) The Act sets forth two tests for the issuance by the City of its short-term notes. Under one test the sum of the aggregate principal amount of the City's outstanding short-term obligations plus the aggregate principal amount of certain outstanding bonds and notes of the Corporation may not exceed a specified amount. Under the second test, the sum of the aggregate principal amount of the City's outstanding short-term obligations (excluding bond anticipation notes) plus the aggregate principal amount of certain bonds and notes issued by the Corporation, whether or not still outstanding, may not exceed another specified amount. The Corporation is required to police these limits by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates the debt limits and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation anticipates that neither limit will prevent the City from issuing any of the short-term obligations contemplated in the Four Year Financial Plan.

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 operating budget will not be balanced in accordance with the Act, or that any of the conditions summarized above have not been fulfilled or should be modified, the Corporation must notify the Governor, the Mayor and certain other State and City officials and must disclose such determinations to the public.

Control Board

The Control Board, created pursuant to the Emergency Act in 1975, is composed of the Governor and Comptroller of the State, the Mayor and Comptroller of the City and three appointees of the Governor: Francis J. Barry (a member of the Board of the Corporation), John C. Sawhill and Stanley Shuman. (Two of the gubernatorial appointees must be residents of, or have their principal place of business in, the City). The Executive Director of the Control Board Donald D. Kummerfeld, has resigned effective November 15, 1978. Comer Coppie, formerly Director of the Budget of Washington, D.C. has been named as his successor. Sidney Schwartz is Special Deputy State Comptroller and assits the Control Board and the Corporation in carrying out their functions. Non-voting representatives may be appointed to the Control Board by the lieutenant governor, by the temporary president and the minority leader of the Senate, by the Speaker and the minority leader of the Assembly, by the president, the vice-chairman and the minority leader of the City Council and by the Board of Estimate of the City.

The most significant powers of the Control Board are exercisable during a “control period,” defined in the Emergency Act to mean the period ending when (i) there is no longer effective or outstanding any Federal guarantee (see “PART 10—LEGISLATION AND AGREEMENTS RELATING TO THE DEBT ISSUANCE PLAN—Federal Guarantee Act”), (ii) the Control Board has determined that the City has adopted and adhered to an operating budget balanced in accordance with GAAP for each of the three immediately preceding fiscal years, and (iii) the State and City Comptrollers have jointly certified that securities sold by or for the benefit of the City during the preceding and current fiscal year in the public market satisfied the capital and seasonal financing requirements of the City during such period and that there is a substantial likelihood that such securities can be sold in the public credit markets through the end of the next succeeding fiscal year in amounts that will satisfy substantially all of the capital and seasonal financing requirements of the City during such period. Thereafter, a control period is to be reimposed by the Control Board at such times and for such durations as are made necessary by
the actual (or substantially likely and imminent) occurrence of certain events relating to the City's ability
to pay its bonds and notes when due or its ability to adopt or adhere to a balanced operating budget or to
satisfy its capital and seasonal financing needs in the public credit markets. After the termination of a
control period, the Control Board is required to consider annually whether, in its judgment, any of the
specified events have occurred. No control period may extend beyond the earlier of (i) July 1, 2008
or (ii) such date as no bonds or notes containing the 1978 State Covenant remain outstanding and there
is no longer effective or outstanding any guarantee issued pursuant to the Federal Guaranty Act.

During a control period, the four year financial plans of the City, including modifications thereof
are subject to review and approval by the Control Board. In addition, the Control Board may formulate
a financial plan, in the event a plan shall not have been approved prior to the beginning of the first fiscal
year covered by such plan, and may modify a plan, in the event a modification required pursuant to the
Emergency Act shall not have been approved within the time period specified by such Act. The Control
Board is required to disapprove a financial plan or financial plan modification if the plan or modification
is incomplete or fails to comply with the applicable standards specified in the Emergency Act, except
that the Control Board may authorize a method of phasing the requirements of any changes in GAAP
into the operating budget over a reasonable period if immediate compliance would cause a substantial
adverse impact on the delivery of essential services. The Control Board may also approve modification
to a financial plan that would cause the financial plan to no longer be in compliance with the applicable
standards if compliance would result in a material adverse impact upon the delivery of essential services
because of unforeseen events during the fiscal year. Beginning with the 1983 fiscal year, any deficit in
the City's operating budget must be provided for in the following fiscal year.

The Control Board's current program for determining the City's compliance with its financial plan
includes monitoring the City's 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 a control period all revenues, funds and accounts of the City and any covered
organization are revenues, funds and accounts of a fund established pursuant to the Emergency Act
(the "Board Fund") and are held for the account of the City or the appropriate covered organization
except to the extent prohibited by law or previous agreement relating to outstanding securities and except
for moneys deposited into a City debt service fund, or repayment accounts for tax or revenue anticipation
notes. Responsibility for disbursements from and day-to-day management of the Board 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, subject to certain conditions. The Control Board has the power to
exempt revenues, funds or accounts from these requirements.

In addition to its responsibilities with respect to the four year financial plans, during a control period
the Control Board is also charged with responsibility for the review and approval of proposed contracts
or obligations of the City and the covered organizations, including any arrangement whereby the revenue
or credit of the City would be encumbered for the payment of any obligations of certain public benefit
corporations, not including the Corporation, and, in coordination with the Corporation, the approval of
long-term or short-term borrowing by the City or any covered organization.

PART 12—AGREEMENT OF THE STATE OF NEW YORK

The State has pledged to and agreed with the holders of the Corporation's bonds, including the
Second Resolution Bonds, that the State will not limit or alter the rights vested by the Act in the
Corporation to fulfill the terms of any agreements made with holders of any such bonds, or in any way
imperil the rights and remedies of such holders, until any such 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.

Pursuant to the 1978 Amendments, with respect to any notes or bonds of the City issued after
September 28, 1978 and prior to July 1, 1982, and with respect to any bonds of the Corporation
issued after September 28, 1978, the City is authorized and the Corporation is authorized and required to include the 1978 State Covenant in any agreement with holders or guarantors of such notes or bonds. By the terms of the 1978 State Covenant, the State agrees not to take any action that will (a) substantially impair the authority of the Control Board during a control period to approve, disapprove or modify any financial plan or modification, to approve or disapprove proposed borrowings of the City or covered organizations, to approve or disapprove proposed borrowings of the City or covered organizations, and to establish procedures for deposits to and disbursements from the Bond Fund; (b) substantially impair the authority of the Control Board to review financial plans and modifications, contracts and proposed borrowings of the City or covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the Control Board such that a majority of the voting members are not elected State officials or appointees of the Governor; (e) terminate the existence of the Control Board before the earlier of July 1, 2008 or the date when all notes or bonds containing the 1978 State Covenant are no longer outstanding and there is no longer effective or outstanding any Federal guarantee; (f) substantially modify the requirement that the City’s financial statements be independently audited; or (g) alter the definition of control period or substantially alter the authority of the Control Board to reimpose or terminate a control period. The Emergency Act provides that the pledge and agreement of the State shall cease to be effective when notes and bonds subject to the pledge are no longer outstanding or when sufficient moneys have been set aside for their payment.

Enactment of the 1978 State Covenant was considered by the Financial Institutions to be an essential condition to their participation in the Debt Issuance Plan. In the opinion of Bond Counsel, given to the Financial Institutions and City Pension Funds pursuant to the Financing Agreement, while the matter is not free from doubt, the 1978 State Covenant is enforceable, provided a court would hold that the pledge is an “important security provision” of the Bonds, “subject at all times to the proper exercise of the State’s reserved police power.” The enforceability of the 1978 State Covenant is subject to various factual requirements and legal uncertainties and there can be no assurance that any purchaser seeking to enforce the 1978 State Covenant will be able to meet such factual requirements or that such legal uncertainties will be resolved in favor of such enforcement.

PART 13—MANAGEMENT

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

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

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

<table>
<thead>
<tr>
<th>Directors</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix G. Roharyn, Chairman(1)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Francis J. Barry(2)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>George M. Brook(2)(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>Thomas D. Flynn(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>George D. Gould(2)</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Dick Neher</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Andrew P. Saffran(2)(5)</td>
<td>December 31, 1980</td>
</tr>
<tr>
<td>Robert C. Weaver</td>
<td>December 31, 1980</td>
</tr>
</tbody>
</table>
Representatives(4)

Zane Klein .......... Appointed by the City Board of Estimate
Edward M. Keskey(5) Appointed by the President Pro-Tem of the State Senate
Jules V. Lane ....... Appointed by the Minority Leader of the State Assembly
Leonard Nadel ...... Appointed by the Speaker of the State Assembly
(Vacant) .......... Appointed by the Vice-Chairman of the City Council
Robert W. Seavey ... Appointed by the Minority Leader of the State Senate
Sanford J. Well(5) . Designated representative of the State Comptroller

Eugene Keill is the Executive Director of the Corporation.(6)

* There is presently one vacant seat on the Board.

(1) Mr. Rohatyn has announced his intention to resign as Chairman and it is expected that he will be leaving the Corporation in the near future.

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

(3) Mr. Brooker and Mr. Flynn are continuing to serve as directors until reappointed or until their respective successors have been appointed and qualified.

(4) 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.

(5) Smith Barney, Harris Upham & Co., Inc., with which Mr. Steffin is affiliated, is a managing underwriter in connection with the sale of the 1973 Series 10 Bonds; Wertheim & Co., Inc., and Shearson Hayden Stone, Inc., with which Messrs. Keskey and Well, respectively, are affiliated, may act as underwriters in connection with the sale of the 1978 Series 10 Bonds.

(6) Mr. Keill has stated his intention to resign as Executive Director in the near future.

FELIX G. ROHATYN, Chairman. Mr. Rohatyn is a General Partner of Lazard Frères & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Eastern Air Lines, Inc., Engelhard Minerals & Chemicals Corporation, Howmet Turbine Components Corporation, International Telephone and 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, 50, is a resident of New York City.

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

GEORGE M. BROOKER. Mr. Brooker has been a principal stockholder and Secretary-Treasurer of Webb & Brooker, Inc., a real estate management and brokerage firm, since 1969. He is Vice-President of the Greater New York Institute of Real Estate Management. He is Chairman of the Board of Directors of the New York Urban League. He is a director of the DuBois Memorial Foundation, a member of the Board of Governors of the Real Estate Board of New York and the Realty Advisory Board of New York. He is also a member of the Board of Governors of the Carver Democratic Club of New York City. He is a member of the Management Council, National Center Housing Management of Washington, D.C. and a director of the Realty Foundation of New York. Mr. Brooker, 52, is a resident of Pelham Manor, New York.

THOMAS D. FLYNN. Mr. Flynn was, until October 1975, a partner in Arthur Young & Company, an international accounting firm, and Vice-Chairman of its Management Committee. He served as President of the American Institute of Certified Public Accountants ("AICPA") for the year 1964-1965. In 1970, he was the recipient of an AICPA Gold Medal Award for Distinguished Service to the Accounting Profession, the highest honor awarded by the AICPA. He is a Trustee of Columbia University. He is Director Emeritus of the National Bureau of Economic Research, Inc. He is also
a Trustee of American Savings Bank. He is a member of the Board of Directors of Household Finance Corporation, and Chairman of the Audit Committee. Mr. Flynn, 65, 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, 51, 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. He is a member of the Municipal Securities Rulemaking Board, the Governor's Consultants Advisory Panel on School Finance and the Governor's Panel on the Future of Government in New York. Mr. Netzer, 50, is a resident of New York City.

ANDREW P. STEFFAN. Mr. Steffan is a Vice President in the Corporate Finance Department of Smith Barney, Harris Upham & Co. From 1972 until 1976 he was on the staff of the Securities and Exchange Commission and became the Agency's Director of Economic Policy Research. He is a member of the Executive Committee of the New York District of the Securities Industry Association. Mr. Steffan, 40, is a resident of New York City.

ROBERT C. WEAVER. Dr. Weaver is Distinguished Professor Emeritus of Urban Affairs at Hunter College since 1970. From 1966 through 1968, he was Secretary of the United States Department of Housing and Urban Development and from 1968 through 1970 was President of Bernard M. Baruch College. He is a Trustee of the Metropolitan Life Insurance Co. and the Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver, 70, is a resident of New York City.

ZANE KLEIN, Representative. Mr. Klein has been a member of the law firm of Berlack, Israels & Liberman, New York, New York, since 1968. He is a member of the City Comptroller's Technical Debt Management Committee and a member of the Advisory Committee to the City Office of Telecommunications. He has also served on advisory panels with respect to equity and real estate investments of the employee pension systems of the City and is active in civic and community affairs. Mr. Klein, 41, is a resident of New York City.

EDWARD M. KRESKY, Representative. Mr. Kresky is a General Partner of Wertheim & Co., investment bankers. He has been with Wertheim since 1971. From 1965 through 1971, he served as Secretary to the Metropolitan Transportation Authority of New York State. He is a member of the Boards of Security Mutual Life Insurance Company of New York and the New York State Council on the Arts and of the Council of the National Municipal League. From 1972 to 1973 he was a member of the Governor's Task Force on Financing Higher Education in New York State. Mr. Kresky serves as an observer to the Control Board. Mr. Kresky, 54, is a resident of New York City.

JULES V. LANE, D.D.S., Representative. Dr. Lane is president and Chairman of the Board of the American Medical Insurance Company in Hicksville, New York which was formed in 1964. He is Vice President of Lissadent, Inc., President of Lane Brokerage and Jules and Linda Lane Realty Company. Dr. Lane is a Board member of the Century National Bank and Trust Company, member of the Board of Governors of the New York Cardiac Center and Membership Chairman of the Young Presidents Organization. Dr. Lane, 48, lives in Sands Point, New York.
LEONARD NADEL, Representative. Mr. Nadel, who was Senior Vice President of Abraham & Straus, a division of Federated Department Stores, Inc., until March 1978, had established his own management consulting firm, Leonard Nadel Associates Inc., in New York City in April 1978. He is Chairman of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish-Hillside Medical Center, Vice-Chairman of the Downtown Brooklyn Development Association and he was President of the Brooklyn Chamber of Commerce. Mr. Nadel, 57, is a resident of Roslyn, New York.

ROBERT W. SEAVERY, Representative. Mr. Seavely is President of N.D.I., a real estate development and construction firm. He is a member of the law firm of Seavely, 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. Seavely, 50, is a resident of New York City.

SANFORD I. WEILL, Representative. Mr. Weill is Chairman and Chief Executive Officer of Shearson Hayden Stone, Inc., an international investment banking firm, of which he was a founder in 1960. He has served as a director of numerous corporations and currently is on the Board of the Arlen Realty & Development Corp. He is a member of the New York Society of Security Analysts, Midwest Stock Exchange, Chicago Board of Trade and Young Presidents Organization, Inc. In January 1976, he was appointed by the Governor of New York to the Securities Industry Task Force. He is a member of the President's Council of Brandeis University. Mr. Weill, 45, is a resident of New York City.

EUGENE KEILIN, Executive Director. Mr. Keilin, Executive Director of the Corporation, was employed by the City from 1971 until he joined the Corporation on October 1, 1976. From 1973 to 1975 he served as General Counsel of the City's Office of Management and Budget and from 1975 to October 1976 he was counsel to the City's first Deputy Mayor for Finance. Prior to his employment by the City, Mr. Keilin was associated with the New York law firm of Sage, Gray, Todd & Sims. Mr. Keilin, 36, 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.

PART 14—LITIGATION

The Corporation is not party to any litigation. Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions. Recent court actions have upheld the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations.

Although the Corporation is not party to the following actions, such actions relate to the 1978 Amendments.
On June 5, 1978, the president of the Patrolmen’s Benevolent Association of the City of New York (the “PBA”), on behalf of the membership of the PBA, commenced an action in State Supreme Court against the City, the City, and the City’s Office of Collective Bargaining, seeking an injunction against the enforcement of an act of June 2, 1978 (Chapter 201 of the Laws of 1978) (“Chapter 201”), including most of the 1978 Amendments, on the grounds, among others, that it violates both the due process and equal protection clauses of the State and Federal Constitutions and that it was enacted in a procedurally defective manner. Chapter 201 also includes amendments to the Emergency Act and to a number of other laws relating to the City’s finances. See “PART 1—INTRODUCTION—Recent Legislation Related to the Corporation” and “PART 10—Legislation and Agreements Relating to the Debt Issuance Plan.”

The plaintiffs’ attack on Chapter 201 is directed primarily at the section of Chapter 201 which amends the statutory procedures in the Emergency Act for the settlement of deadlocked contract negotiations between the City and its employees and requires that the City’s ability to pay any settlement within the tax structure then in effect be considered by the arbitrator. Plaintiffs have argued, in part, that the whole of Chapter 201 is invalid because it is a “special” law “in relation to the property, affairs or government” of New York City that was not enacted in accordance with the so-called “home rule” procedural requirements of the State Constitution.

Although the Corporation is not a party to this action, an adverse decision with respect to the validity of Chapter 201 as a whole or in part in any material respect would result in an event of default under the Guarantee Agreement thereby authorizing the United States to exercise its rights pursuant to the terms of that agreement. In addition such a decision would be likely to seriously impair the ability of the Corporation and of the City to implement the Debt Issuance Plan. A decision invalidating only the specifically challenged section of Chapter 201 might jeopardize the City’s ability to adhere to balanced budgets and thus threaten the successful implementation of the Debt Issuance Plan.

On June 5, 1978, plaintiffs’ application for a temporary restraining order was denied, plaintiff’s motion for a preliminary injunction, on which the Corporation filed a brief in opposition as amicus curiae, was submitted in September 1978. A decision on such motion and on the defendants’ cross motions to dismiss and for summary judgment is pending.

In addition, on August 17, 1978, David Basile, on behalf of himself and all other police officers of the City similarly situated, commenced an action in State Supreme Court against the PBA and the City seeking injunctive and declaratory relief with respect to the enforcement of a two year labor contract executed by and between the City and the PBA on the ground, among others, that the enactment of the collective bargaining provisions of Chapter 201 “served to unconstitutionally chill the right of defendant PBA to invoke the provisions of Section 209 of the Civil Service Law” (dealing with the resolution of disputes in the course of collective bargaining). On October 26, 1978 the State Supreme Court granted defendant’s motion to dismiss plaintiffs’ complaint. An order has not yet been entered on this decision, and it is not known whether, when an order has been entered, the plaintiffs will appeal. A decision favorable to the plaintiffs in any appeal of this action might jeopardize the City’s ability to adhere to balanced budgets and thus threaten the successful implementation of the Debt Issuance Plan.

PART 15—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

Following is a summary of certain provisions of the Second General Bond Resolution (herein referred to as the “Resolution”). The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Resolution, to which reference is hereby made and copies of which are available from the Corporation. The Capital Reserve Aid Fund is referred to hereinafter as the “Capital Reserve Fund.”

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 Resolution for such purposes, any unpaid and matured amounts of principal and interest on the Bonds or such larger amounts as may hereafter be authorized pursuant to the Act as amended from time to time.

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

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

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

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

"Outstanding", when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Resolution, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106 of the Resolution, and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401 of the Resolution.

"Outstanding Note Resolutions" shall mean those 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, as the same may be amended from time to time.

"Redemption Price" shall mean, with respect to any Bonds, 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 such Bonds were 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.

* No such Outstanding Notes are presently outstanding.
"Serial Bonds" shall mean the Bonds so designated in a Series Resolution.

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

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

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

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

"State" shall mean the State of New York.

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

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

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

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

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

**Authorisation 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 "PART 5—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 additional Series of Bonds 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 such other taxes shall be taken into account in such certification by increasing or decreasing the estimated amount of Sales Tax, Stock Transfer Tax or such other taxes to be levied and collected. In the event the Sales Tax or such other taxes have not been in effect for 12 calendar months said Commissioner shall use, respectively, collections of the sales and compensating use taxes previously imposed by the City or collections of the tax similarly based to the other taxes referred to above if such tax was previously imposed by the City as the amount to be certified in lieu of actual collections of the Sales Tax or other taxes, for those months the Sales Tax or other taxes were not in effect;

(2) A certificate by 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 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 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 Trustees 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), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor, with a copy of such Certificate 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 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 the Corporation 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, 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 "PART 5—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. Except to the extent otherwise provided in Section 601, 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 "PART 12—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, 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 Section 304 and Sections 306 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 therein 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 202 after making the deductions provided in subparagraphs 3(a) and 3(c) to be less than 1.2 times such aggregate amount set forth in paragraph 3(b) of subsection 3 of Section 202 for each Fiscal Year set forth pursuant to said paragraph 3(b) if such certifications required to be made pursuant to such subsection 3 had been made at the time of the issuance of such Bonds, Notes or other Obligations.

The Corporation 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. Except as provided in Section 909, 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 Fund; 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 (c) or (d) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds; or

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

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

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

(Resolution, Section 1202)

Remedies

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

(Resolution, Section 1201)

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202 of the Resolution, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c), (d), (e), (f), (g) or (h) of said Section, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its
rights and the rights of the Bondholders by such one or more of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

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

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

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

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

(Resolution, Section 1203)

Priority of Payments After Default

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

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

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

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

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons.

(Resolution, Section 1204)

Series Resolutions and Supplemental Resolutions

A Series Resolution or Supplemental Resolution of the Corporation may be adopted at any time or from time to time, for any one or more of the following purposes: to provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed; to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to confirm as further assurance any pledge under and the subject 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 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 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 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 to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with Section 1401 of the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, on said Bonds. Neither direct obligations of the United States of America or moneys deposited with the Trustee pursuant to Section 1401 of the Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent 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)

PART 16—TRUSTEE

United States Trust Company of New York (the "Trust Company") is 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 First and Second General Bond 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 "PART 15—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, the Trust Company, which is a Commercial Bank and a party to the Financing Agreement, owns $6.133 million of First Resolution Bonds and $4.160 million of Second Resolution Bonds for its own account, including 1978 Private Series Bonds purchased in November 1978 pursuant to the Financing Agreement. 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.

PART 17—LEGAL INVESTMENT

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

PART 18—TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series 10 Bonds is exempt from Federal income taxes, and shall at all times be free from State and City income taxes.

PART 19—LEGAL OPINIONS

All legal matters incident to the authorization, issuance, sale and delivery of the 1978 Series 10 Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. The approving opinion of Bond Counsel 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.

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

PART 20—UNDERWRITING

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1978 Series 10 Bonds from the Corporation at a discount equal to 6%, from the initial public offering price. The underwriters may offer to sell such 1978 Series 10 Bonds to certain dealers and others at prices lower than the initial public offering price and the public offering price may be changed from time to time by the underwriters. The Corporation has agreed to indemnify the underwriters against certain liabilities.

Commercial Banks, some of which are underwriters, hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series 10 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others. However, such banks and the Pension Funds have agreed not to sell, offer to sell, or otherwise dispose of any of the Private Series Bonds to be received by them pursuant to the Financing Agreement for a period of sixty days after delivery of the 1978 Private Series Bonds, without the consent of the Corporation and the underwriters.
PART 21—FINANCIAL STATEMENTS

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 of the Corporation for the quarter ended September 30, 1978 are annexed hereeto. The accompanying statements for the quarter ended September 30, 1978 do not give effect to the receipt of $68.9 million and $51.0 million of sales tax allocations certified to and paid to the Corporation by the State from the Municipal Assistance Tax Fund on October 12, 1978 for the purposes provided in the First and Second General Bond Resolutions, respectively.

* * *

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 Federal Guarantee Act, the Pension Legislation, the Emergency Act, the 1978 Amendments, the Tax Law, the Finance Law, the Agreements, the First and Second General Bond Resolutions, and Series Resolutions promulgated thereunder, are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such Acts, Laws, Agreements and Resolutions for full and complete statements of such provisions. Copies of such Acts, Laws, Agreements and 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

73
REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying Statement of Financial Position and the related Debt Service Fund, Capital Reserve Fund and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1978 and the Debt Service Fund, Capital Reserve Fund and Operating Fund transactions for the year then ended, in conformity with generally accepted accounting principles consistently applied. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

153 East 53rd Street
New York, N. Y. 10022
July 24, 1978

Price Waterhouse & Co.
# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt Service Fund</td>
<td>Operating Fund</td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First General Resolution Bonds</td>
<td>$3,132,388,000</td>
<td>$3,132,388,000</td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>1,973,970,000</td>
<td>1,973,970,000</td>
</tr>
<tr>
<td><strong>TOTAL BONDS PAYABLE</strong></td>
<td>5,106,358,000</td>
<td>5,106,358,000</td>
</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>108,345,682</td>
<td>82,651,811</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$200,910</td>
<td>$405,855</td>
</tr>
<tr>
<td>Advances under First Instance Appropriation</td>
<td>713,426</td>
<td>735,538</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,134,841</td>
<td>1,470,443</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>5,214,703,682</td>
<td>2,049,177</td>
</tr>
</tbody>
</table>

## ASSETS:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>16,240</td>
<td>17,304</td>
</tr>
<tr>
<td>Investments in marketable securities, at cost which approximates market value</td>
<td>195,657,472</td>
<td>80,400,139</td>
</tr>
<tr>
<td>Accrued interest on marketable securities</td>
<td>2,090,711</td>
<td>959,126</td>
</tr>
<tr>
<td>Capital Reserve Fund assets</td>
<td>387,200,557</td>
<td>394,225,268</td>
</tr>
<tr>
<td>Unexpended portion of allocated funds held by New York State</td>
<td>2,980,616</td>
<td>6,780,026</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>584,964,980</td>
<td>2,997,920</td>
</tr>
</tbody>
</table>

| Net funding requirements | $4,629,738,702 | ($948,743) | $4,713,412,876 | ($4,182,207) |

F-2
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

DEBT SERVICE AND CAPITAL RESERVE FUND

STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Fund</td>
<td>Capital Reserve Fund</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
</tr>
<tr>
<td>Principal amount of bonds and promissory notes issued</td>
<td>$3,154,458,000</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
</tr>
<tr>
<td>The City of New York notes received in exchange for Second General Resolution Bonds</td>
<td>$19,230,000</td>
</tr>
<tr>
<td>First General Resolution Bonds refunded</td>
<td>1,549,583,000</td>
</tr>
<tr>
<td>Deposit for defeasance</td>
<td>243,381,175</td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>10,673,825</td>
</tr>
<tr>
<td>Net proceeds from issuance of bonds and notes</td>
<td>531,590,000</td>
</tr>
<tr>
<td>Transfer to Capital Reserve Fund</td>
<td>(196,100,000)</td>
</tr>
<tr>
<td>Sales tax allocations received from the State of New York</td>
<td>328,800,000</td>
</tr>
<tr>
<td>Per capita aid received from the State of New York</td>
<td>337,000,000</td>
</tr>
<tr>
<td>Interest adjustment pursuant to Restructuring Agreement</td>
<td>1,966,228</td>
</tr>
<tr>
<td>Accrued interest received on issuance of bonds</td>
<td>1,034,132</td>
</tr>
<tr>
<td>Income from investments</td>
<td>9,663,394</td>
</tr>
<tr>
<td>Interest received on obligations of The City of New York</td>
<td>76,181,656</td>
</tr>
<tr>
<td><strong>Total receipts</strong></td>
<td>1,090,135,410</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
</tr>
<tr>
<td>Disbursements to The City of New York</td>
<td>380,641,989</td>
</tr>
<tr>
<td><strong>Debt Service:</strong></td>
<td></td>
</tr>
<tr>
<td>Principal repayment on First General Resolution Bonds</td>
<td>55,465,000</td>
</tr>
<tr>
<td>Interest on First General Resolution Bonds</td>
<td>248,295,896</td>
</tr>
<tr>
<td>Principal repayment on Second General Resolution Bonds</td>
<td>33,745,000</td>
</tr>
<tr>
<td>Interest on Second General Resolution Bonds</td>
<td>149,838,162</td>
</tr>
<tr>
<td>Principal repayment on promissory notes</td>
<td>335,490,000</td>
</tr>
<tr>
<td>Interest on promissory notes</td>
<td>1,147,100</td>
</tr>
<tr>
<td><strong>Total debt service</strong></td>
<td>824,081,158</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>1,204,723,147</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of receipts over expenditures:</strong></td>
<td></td>
</tr>
<tr>
<td>For the period</td>
<td>(114,587,737)</td>
</tr>
<tr>
<td>Transfer from Operating Fund</td>
<td>1,500,000</td>
</tr>
<tr>
<td>At beginning of period</td>
<td>202,506,478</td>
</tr>
<tr>
<td>At end of period</td>
<td>89,418,741</td>
</tr>
<tr>
<td>Principal amount of bonds payable</td>
<td>5,106,338,000</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td>(5,016,939,259)</td>
</tr>
<tr>
<td><strong>Net funding requirement</strong></td>
<td>$4,629,738,702</td>
</tr>
</tbody>
</table>

F-3
# Municipal Assistance Corporation for the City of New York  
## Operating Fund
### Statement of Transactions

<table>
<thead>
<tr>
<th></th>
<th>For the fiscal year ended June 30, 1978</th>
<th>For the three months ended September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>$4,232,386</td>
<td>$4,406,500</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>774,127</td>
<td>4,046</td>
</tr>
<tr>
<td>Legal services</td>
<td>934,211</td>
<td>248,431</td>
</tr>
<tr>
<td>Trustee and related services</td>
<td>640,744</td>
<td>92,020</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,349,082</td>
<td>344,497</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Special Deputy Comptroller</td>
<td>(1,094,615)</td>
<td>342,635</td>
</tr>
<tr>
<td>Financial Control Board</td>
<td>532,815</td>
<td>233,311</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(561,800)</td>
<td>575,946</td>
</tr>
<tr>
<td>General and administration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel services—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>275,858</td>
<td>82,114</td>
</tr>
<tr>
<td>Other personnel services</td>
<td>140,603</td>
<td>54,847</td>
</tr>
<tr>
<td>Accountancy services</td>
<td>58,217</td>
<td>25,000</td>
</tr>
<tr>
<td>Office rental</td>
<td>54,338</td>
<td>19,295</td>
</tr>
<tr>
<td>General office expenses</td>
<td>32,493</td>
<td>8,558</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>6,727</td>
<td>2,607</td>
</tr>
<tr>
<td>Communications</td>
<td>14,270</td>
<td>2,983</td>
</tr>
<tr>
<td>Data processing services</td>
<td>52,653</td>
<td>27,633</td>
</tr>
<tr>
<td>Printing and distribution</td>
<td>46,840</td>
<td>29,556</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>681,999</td>
<td>252,593</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>2,469,281</td>
<td>1,173,036</td>
</tr>
<tr>
<td>Excess of receipts over expenditures for the period</td>
<td>1,763,105</td>
<td>3,233,464</td>
</tr>
<tr>
<td>Transfer to Debt Service Fund</td>
<td>(1,500,000)</td>
<td></td>
</tr>
<tr>
<td>Excess of receipts over expenditures at beginning of period</td>
<td>685,638</td>
<td>948,743</td>
</tr>
<tr>
<td>Excess of receipts over expenditures at end of period</td>
<td>$948,743</td>
<td>$4,182,207</td>
</tr>
</tbody>
</table>

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

NOTES TO FINANCIAL STATEMENTS

(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 1—Organization and Functions of the Corporation:

Municipal Assistance Corporation For The City of New York (the “Corporation”) is a corporate 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 for purposes of assisting The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. Pursuant to said act, as amended (the “Act”) to carry out such purposes, the Corporation, among other things, issues and sells bonds and notes and pays or loans funds received from such sales to the City and exchanges the Corporation’s obligations for those of the City, each under conditions specified in the Act. Also pursuant to the Act, the Corporation provides for certain oversight of the City’s financial activities.

Note 2—Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting. Receipts from tax allocations are recorded as received and disbursements to the City are recorded as made. Interest income on investments and interest expense on the Corporation’s debt are recorded on the accrual basis. The Corporation’s debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund and become part of net funding requirements. Amounts required for the payment of debt service due on July 1 and January 1 are accounted for as if paid on the immediately preceding June 30 and December 31, respectively, by which dates such amounts are segregated for that purpose by the Trustee under the bond resolutions. The net funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

The Operating Fund accounts have been prepared on the accrual basis of accounting. Receipts are recorded in the Operating Fund as allocations are approved by the State. Expenses of debt issuance and service are charged to the Operating Fund as incurred.

The Statement of Financial Position gives no recognition to obligations of the City held by the Corporation as described in Note 6. Interest on such obligations is credited if and when received.

Note 3—Bonds of the Corporation: Funding, Payment and Authorization:

Funding methods:

The Corporation funds its debt service requirements and operating expenses by receipt of allocations from the State’s collection of sales tax (imposed by the State within the City at the rates formerly imposed by the City), the stock transfer tax and certain per capita aid, subject in each case to appropriation by the State Legislature. Net collections of taxes and per capita aid not required by the Corporation are available to the City.

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

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the special account in the State’s Municipal Assistance Tax Fund, which is funded from revenues collected, less the State’s charges for collection and administration, from the sales tax and, if necessary, the stock transfer tax. The net revenues from sales and stock transfer taxes which were collected by the State during the twelve months ended June 30, 1978 and September 30, 1978 amounted to $1,275 million and $1,329 million, respectively. Payments made to the Corporation from the Municipal Assistance Tax Fund are to be made quarterly and at such other times as the Corporation requests.

F-5
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)

(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 3—Bonds of the Corporation: Funding, Payment and Authorization (Continued):

Debt service for obligations issued under the Second General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the special account in the Municipal Assistance State Aid Fund, which is funded from per capita state aid otherwise payable by the State to the City, and, after satisfying the debt service requirements for obligations issued under the First General Bond Resolution as described above, funds paid quarterly from the Municipal Assistance Tax Fund. Per capita aid is subject to prior claims asserted by certain other State or City entities; however, no such claims have been asserted since the inception of the Corporation. Total per capita aid paid into the Municipal Assistance State Aid Fund on June 25, 1978 amounted to $434 million.

The Corporation certified to and was paid on October 12, 1978, $68.9 million and $51.0 million of sales tax revenues from the Municipal Assistance Tax Fund for First and Second General Bond Resolution purposes, respectively.

Payment dates:

Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semiannually on February 1 and August 1 for bonds outstanding under the First General Bond Resolution. Principal payments at maturity or mandatory sinking fund calls are made July 1 and interest is paid semiannually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution.

Debt authorization:

The Corporation is authorized by the Act to issue obligations in an aggregate principal amount of $8,800 million, exclusive of obligations issued to refund outstanding obligations of the Corporation and notes issued to enable the City to fulfill its seasonal borrowing requirements. Pursuant to the Act new obligations of the Corporation may mature up to 30 years from the date of original issue but in no event later than July 1, 2008 and no new obligation may be issued after June 30, 1982, except to renew or refund outstanding obligations. Pursuant to various resolutions of the Corporation no obligations may be issued if their issuance would cause certain debt service limitations and debt service coverage ratios to be exceeded.

The Corporation is participating in discussions to implement a debt issuance plan required in connection with the Four-Year Financial Plan developed for The City of New York. It is currently contemplated that in furtherance of the debt issuance plan the Corporation will issue in excess of $2 billion of its bonds and notes during the next four years commencing during the quarter ending December 31, 1978, all in accordance with the above stated limitations.

Note 4—Capital Reserve Fund:

The Act provides for the establishment of a Capital Reserve Fund to provide security for payment of interest on and principal of the Corporation’s bonds. The amount required to be on deposit in the Capital Reserve Fund for any calendar year is a fixed percentage of principal (including sinking fund installments) and interest maturing or otherwise due or becoming due on outstanding bonds during a specified calendar year. For 1978, 1979 and 1980 the percentages are 50%, 75% and 100% of such year’s requirements, respectively. Following 1980, the percentage is 100% of the succeeding year’s requirements.

Investments in the Capital Reserve Fund are recorded at amortized cost, which exceeded market value by approximately $29 million at June 30, 1978 and September 30, 1978. The Capital Reserve Fund balance at June 30, 1978 was $387,200,557 comprised of $175,040,917 relating to First General Resolution Bonds and $212,159,640 relating to Second General Resolution Bonds. The Capital Reserve...
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)

(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 4—Capital Reserve Fund (Continued):


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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 18,585</td>
<td>$ 696</td>
</tr>
<tr>
<td>U.S. Treasury Bonds and Notes</td>
<td>196,874,798</td>
<td>196,730,180</td>
</tr>
<tr>
<td>maturing through May 1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other permitted investments</td>
<td>182,839,046</td>
<td>187,798,230</td>
</tr>
<tr>
<td>maturing through November 1993</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest</td>
<td>7,468,128</td>
<td>9,696,162</td>
</tr>
<tr>
<td></td>
<td>$387,200,557</td>
<td>$394,225,268</td>
</tr>
</tbody>
</table>

Note 5—Investments in Marketable Securities:

Debt service funds paid to the Corporation in advance of disbursement to bondholders are temporarily invested for the Corporation by the Trustee under the bond resolutions, and the income therefrom is credited to the Debt Service Fund. Proceeds of debt issues may also be temporarily invested for the Corporation by the Trustee.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Bills maturing</td>
<td>$ 2,301,358</td>
<td></td>
</tr>
<tr>
<td>through July 1978</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Notes maturing</td>
<td>73,038,114</td>
<td>$ 28,917,111</td>
</tr>
<tr>
<td>through January 1979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other permitted investments</td>
<td></td>
<td>42,729,028</td>
</tr>
<tr>
<td>maturing through January 1979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements maturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1978</td>
<td>120,318,000</td>
<td>8,754,000</td>
</tr>
<tr>
<td>October 1978</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Debt Service Fund</td>
<td>$195,657,472</td>
<td>$ 80,400,139</td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

As a result of certain exchanges and payments to the City, at June 30, and September 30, 1978, the Corporation held $4,236 million of notes of the City. It is the Corporation's present intention that City notes held will not be presented for payment of principal or interest, except that bond anticipation notes held by the Corporation will be presented for payment of interest and that certain bond anticipation notes may be exchanged for newly issued bond anticipation notes or bonds of The City of New York. During the quarters ended June 30, and September 30, 1978 the Corporation received approximately $76.2 million and $11.2 million, respectively, from the City as payment of interest due on bond anticipation notes held by the Corporation. Any amounts received as payment on City notes have the effect of reducing the amounts to be funded from the Corporation's other sources. The Corporation, in making its certification for funds, is required to exclude from consideration any amounts its expects to receive as payment on City notes until such amounts are received. Accordingly, the City notes held have not been included in the accompanying Statement of Financial Position.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 7—Operating Fund:

The Operating Fund provides for the expenses of carrying out the Corporation’s duties and functions, as authorized by the Act. The Operating Fund is funded from the special account in the Municipal Assistance Tax Fund. The amount certified to for Operating Fund purposes for the 1978 fiscal year of the Corporation was $7 million.

For the fiscal year ended June 30, and the quarter ended September 30, 1978, $4,232,386 and $4,406,500, respectively, of funds from the State had been allocated to the Corporation for Operating Fund purposes. At September 30, 1978, $4,271,539 of funds allocated in fiscal year 1979 and $2,191,092 allocated in previous fiscal years had not been expended and were held for the Corporation’s account by the State.

In addition, the Corporation may request and utilize repayable First Instance Appropriations from the State. The amount of these appropriations remaining to be repaid to the State from operating expense appropriations was $713,246 at June 30, 1978 and $735,538 at September 30, 1978.

Expenditures are processed for payment by the State Department of Audit and Control. The accompanying financial statements do not include any expenses for the Corporation’s Financial Advisor which is serving without compensation.

Pursuant to an agreement among the Corporation, the City, the New York State Office of the Special Deputy Comptroller for the City of New York (the “OSDC”) and the State Comptroller, the Corporation has no liability for expenses related to the OSDC services for the period June 10, 1975 to December 31, 1977. Accordingly, a reduction in the applicable expense and estimated liability accounts of $2,429,613 has been recognized during the 1978 fiscal year representing expenses accrued for the OSDC services which will not be payable.

On January 31, 1978, the Corporation made a permanent transfer of $1,500,000 from the Operating Fund to the Debt Service Fund.

Note 8—Litigation:

Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions.

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 OSDC and the Emergency Financial Control Board. To avoid duplication of efforts, the Corporation has contracted for the OSDC to provide certain services for the oversight of the City’s financial affairs. The accompanying financial statements include a provision for the Corporation’s estimate of the amount payable to the OSDC for services pursuant to the contract as amended.

In addition, the Corporation has contracted for other oversight services to be performed by the staff of the Emergency Financial Control Board, renamed in recently enacted legislation the Financial Control Board ("FCB"), at an annual cost not to exceed $550,000. Recently enacted legislation provides that the Corporation fund the operations of the FCB; it is expected that a new agreement will be entered into between the Corporation and the FCB to implement this provision.

F-8
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
(All data relating to September 30, 1978 and the period then ended are unaudited)

Note 10—Refunding and Defeasance of 1975 Series B Bonds:

On January 10, 1978, the Corporation issued its 1978 Series JJ Bonds in the aggregate principal amount of $250,155,000. Substantially all of the net proceeds of the issue were invested in direct obligations of the United States of America which are held in trust with the United States Trust Company of New York. The proceeds held in trust and the income from investment thereof are sufficient to pay principal and interest when due on the 1975 Series B Bonds. As a result, the 1975 Series B Bonds are deemed to have been paid within the meaning of the First General Bond Resolution and are therefore no longer presented as a liability of the Corporation.

Note 11—Promissory Notes, 1978 Series:

On June 9, 1978 the Corporation issued $335,490,000 principal amount of Promissory Notes due June 30, 1978 to certain New York City Pension Funds. The proceeds of such sale were paid immediately to the City. The Corporation prepaid principal of and interest on such notes on June 29, 1978 in full satisfaction of its obligations.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

BONDS OUTSTANDING
(In thousands)
September 30, 1978

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption date</th>
<th>Interest rate</th>
<th>June 30, 1978</th>
<th>September 30, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Unaudited)</td>
<td></td>
</tr>
<tr>
<td>First General Resolution Bonds:</td>
<td>February 1:</td>
<td></td>
<td>$470,260</td>
<td>$470,260</td>
</tr>
<tr>
<td>A</td>
<td>1979-1990</td>
<td>7.5%-9.25%</td>
<td>42,210</td>
<td>42,210</td>
</tr>
<tr>
<td>G</td>
<td>1979-1985</td>
<td>9.5%-11%</td>
<td>1,090</td>
<td>1,090</td>
</tr>
<tr>
<td>J</td>
<td>1984-1985</td>
<td>11%</td>
<td>81,050</td>
<td>81,050</td>
</tr>
<tr>
<td>M</td>
<td>1980-1995</td>
<td>10%-11%</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>O</td>
<td>1990-1994</td>
<td>11%</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>U</td>
<td>1986-1990</td>
<td>11%</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>X</td>
<td>1991-1994</td>
<td>10%</td>
<td>20,850</td>
<td>20,850</td>
</tr>
<tr>
<td>Y</td>
<td>1981</td>
<td>6%</td>
<td>110,940</td>
<td>110,940</td>
</tr>
<tr>
<td>BB</td>
<td>1979-1986</td>
<td>10.25%</td>
<td>256,250</td>
<td>256,250</td>
</tr>
<tr>
<td>CC</td>
<td>1984-1993</td>
<td>7.5%</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>EE</td>
<td>1991-1995</td>
<td>7.5%</td>
<td>53,475</td>
<td>53,475</td>
</tr>
<tr>
<td>FF</td>
<td>1986</td>
<td>7.5%</td>
<td>70,200</td>
<td>70,200</td>
</tr>
<tr>
<td>GG</td>
<td>1987</td>
<td>7.5%</td>
<td>1,414,738</td>
<td>1,414,738</td>
</tr>
<tr>
<td>HH</td>
<td>1988-1995</td>
<td>7.5%</td>
<td>11,170</td>
<td>11,170</td>
</tr>
<tr>
<td>II</td>
<td>1997</td>
<td>7.25%-8.25%</td>
<td>250,155</td>
<td>250,155</td>
</tr>
<tr>
<td>JJ</td>
<td>1982-1995</td>
<td>7.25%-8.25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total First Resolution</td>
<td></td>
<td></td>
<td>3,132,388</td>
<td>3,132,388</td>
</tr>
</tbody>
</table>

Second General Resolution Bonds:
|        | July 1:         |               |               |                    |
| 1      | 1979-1986      | 8%            | 77,205         | 77,205             |
| 2      | 1979-1986      | 8%            | 164,535        | 164,535            |
| 3      | 1979-1986      | 8%            | 67,555         | 67,555             |
| 4      | 1979-1986      | 8%            | 84,085         | 84,085             |
| 5      | 1982-1991      | 8%            | 139,860        | 139,860            |
| 6      | 1982-1991      | 8%            | 18,215         | 18,215             |
| 8      | 1980-1992      | 7.5%          | 200,000        | 200,000            |
| 9      | 1980-1992      | 7.5%          | 819,230        | 819,230            |
| Total Second Resolution        |               |               | 1,973,970       | 1,973,970          |
| Total bonds outstanding        |               |               | 5,106,358       | 5,106,358          |

F-10
## Municipal Assistance Corporation for the City of New York
### Summary of Annual Debt Service Funding Requirements
#### September 30, 1978
*(In thousands)*
*(Unaudited)*

<table>
<thead>
<tr>
<th>Fiscal year ending June 30.</th>
<th>Principal and interest requirements</th>
<th>Capital Reserve Fund Contributions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First General Bond Resolution</td>
<td>Second General Bond Resolution</td>
<td>Total</td>
</tr>
<tr>
<td>1979</td>
<td>$311,836†</td>
<td>$195,703†</td>
<td>$507,539†</td>
</tr>
<tr>
<td>1980</td>
<td>314,747</td>
<td>221,319</td>
<td>536,066</td>
</tr>
<tr>
<td>1981</td>
<td>303,083</td>
<td>220,614</td>
<td>523,697</td>
</tr>
<tr>
<td>1982</td>
<td>337,565</td>
<td>230,492</td>
<td>568,057</td>
</tr>
<tr>
<td>1983</td>
<td>376,356</td>
<td>253,715</td>
<td>630,071</td>
</tr>
<tr>
<td>1984</td>
<td>352,738</td>
<td>253,781</td>
<td>606,519</td>
</tr>
<tr>
<td>1985</td>
<td>353,662</td>
<td>252,761</td>
<td>606,423</td>
</tr>
<tr>
<td>1986</td>
<td>374,587</td>
<td>253,749</td>
<td>628,336</td>
</tr>
<tr>
<td>1987</td>
<td>372,257</td>
<td>256,646</td>
<td>628,903</td>
</tr>
<tr>
<td>1988</td>
<td>375,283</td>
<td>254,221</td>
<td>629,504</td>
</tr>
<tr>
<td>1989</td>
<td>376,167</td>
<td>251,719</td>
<td>627,886</td>
</tr>
<tr>
<td>1990</td>
<td>374,124</td>
<td>248,359</td>
<td>622,483</td>
</tr>
<tr>
<td>1991</td>
<td>373,160</td>
<td>250,428</td>
<td>623,588</td>
</tr>
<tr>
<td>1992</td>
<td>369,343</td>
<td>261,358</td>
<td>630,701</td>
</tr>
<tr>
<td>1993</td>
<td>365,501</td>
<td>365,501</td>
<td>731,002</td>
</tr>
<tr>
<td>1994</td>
<td>361,117</td>
<td>361,117</td>
<td>722,234</td>
</tr>
<tr>
<td>1995</td>
<td>178,382</td>
<td>178,382</td>
<td>356,764</td>
</tr>
<tr>
<td>Total</td>
<td>$5,869,908</td>
<td>$3,404,865</td>
<td>$9,274,773</td>
</tr>
</tbody>
</table>

† The fiscal year 1979 funding requirements do not give effect to the moneys received on October 12, 1978 (Note 3).
### MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

**SUMMARY OF TOTAL ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS**

**September 30, 1978**

(In thousands)

(Unaudited)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$ 173,756</td>
<td>$ 79,940</td>
<td>$ 253,696</td>
</tr>
<tr>
<td>1980</td>
<td>321,869</td>
<td>194,972</td>
<td>516,841</td>
</tr>
<tr>
<td>1981</td>
<td>307,624</td>
<td>220,039</td>
<td>527,663</td>
</tr>
<tr>
<td>1982</td>
<td>298,542</td>
<td>219,245</td>
<td>517,787</td>
</tr>
<tr>
<td>1983</td>
<td>376,587</td>
<td>228,811</td>
<td>605,398</td>
</tr>
<tr>
<td>1984</td>
<td>376,125</td>
<td>251,309</td>
<td>627,434</td>
</tr>
<tr>
<td>1985</td>
<td>329,351</td>
<td>251,169</td>
<td>580,520</td>
</tr>
<tr>
<td>1986</td>
<td>377,974</td>
<td>249,947</td>
<td>627,921</td>
</tr>
<tr>
<td>1987</td>
<td>371,200</td>
<td>250,675</td>
<td>621,876</td>
</tr>
<tr>
<td>1988</td>
<td>373,315</td>
<td>253,343</td>
<td>626,658</td>
</tr>
<tr>
<td>1989</td>
<td>377,251</td>
<td>250,690</td>
<td>627,941</td>
</tr>
<tr>
<td>1990</td>
<td>375,083</td>
<td>247,940</td>
<td>623,023</td>
</tr>
<tr>
<td>1991</td>
<td>373,165</td>
<td>244,330</td>
<td>617,495</td>
</tr>
<tr>
<td>1992</td>
<td>373,155</td>
<td>246,021</td>
<td>619,176</td>
</tr>
<tr>
<td>1993</td>
<td>365,531</td>
<td>256,404</td>
<td>621,935</td>
</tr>
<tr>
<td>1994</td>
<td>365,471</td>
<td></td>
<td>365,471</td>
</tr>
<tr>
<td>1995</td>
<td>356,763</td>
<td></td>
<td>356,763</td>
</tr>
</tbody>
</table>

**Total**                      | **$5,892,762**                | **$3,444,836**                | **$9,337,598** |
Hawkins, Delafield & Wood
67 Wall Street, New York 10005

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

November, 1978

Dear Sirs:

We have examined a record of proceedings relating to the issuance of $250,000,000 aggregate principal amount of 1978 Series 10 Bonds (the "1978 Series 10 Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the "Act").

The 1978 Series 10 Bonds are authorized and issued under and pursuant to the Act and the Second General Bond Resolution of the Corporation, adopted November 25, 1975, as supplemented to the date hereof (the "Second General Bond Resolution"), and the 1978 Series 10 Resolution, adopted November 17, 1978 (the "Series Resolution"). Said resolutions are herein collectively called the "Resolutions".

The 1978 Series 10 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 Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation to limit the issuance of additional bonds. The 1978 Series 10 Bonds are being issued for the purpose of making deposits into the Capital Reserve Fund established pursuant to the Act and the Second General Bond Resolution.

The Corporation is authorized to issue Bonds, in addition to the 1978 Series 10 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1978 Series 10 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefits, protection and security of the provisions, covenants and agreements of the Second General Bond Resolution.

The 1978 Series 10 Bonds are dated November 15, 1978 except as otherwise provided in the Resolution with respect to fully registered 1978 Series 10 Bonds, will bear interest at the rate of ______ per centum (___%) per annum from November 15, 1978 payable July 1, 1979 and semi-annually thereafter on January 1 and July 1 in each year and will mature on July 1, 2008.

The 1978 Series 10 Bonds are issued either in coupon form in the denomination of $5,000, registrable as to principal only, or in fully registered form without coupons in the denomination of $5,000 or an integral multiple thereof. Coupon and fully registered 1978 Series 10 Bonds are interchangeable as provided in the Resolutions. Coupon 1978 Series 10 Bonds are numbered 10- and fully registered 1978 Series 10 Bonds are lettered and numbered 10R-. Coupon 1978 Series 10 Bonds and fully registered 1978 Series 10 Bonds are numbered consecutively from one upward in order of issuance.

The 1978 Series 10 Bonds are subject to redemption, in part, as provided in the Resolutions, by operation of the Bond Service Fund through application of Sinking Fund Installments as defined.
in the Second General Bond Resolution and in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each 1978 Series 10 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the 1978 Series 10 Bonds are subject to redemption at the election of the Corporation on and after July 1, 1988, as a whole on any date or in part, by lot, on any interest payment date, at the redemption prices (expressed as percentages of the principal amount), plus accrued interest, if any, to the date of redemption, as set forth in the Series Resolution.

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, the insertion 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 of New York, New York ("The City") hereunder 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 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 b 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 8 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 1978 Series 10 Bonds hereunder, and to perform the obligations and covenants contained in the Resolutions and the 1978 Series 10 Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the
United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the 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, except for the covenant on behalf of the State required to be set forth in each 1978 Series 10 Bond pursuant to Chapter 201 of the Laws of New York of 1978 (the “State Covenant”) as to which a separate opinion has been rendered on the date hereof, 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 subject to the pledge and lien created by the Resolutions.

3. The 1978 Series 10 Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The 1978 Series 10 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, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors’ rights or remedies generally, and, except as otherwise set forth with respect to the State Covenant as to which a separate opinion has been rendered on the date hereof, 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, 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 such term is defined in the Second General Bond Resolution), the Tax Assistance Fund into which is paid the Sales Tax, and to the extent required, out of the Stock
Transfer Tax Fund, the Stock Transfer Tax. The amount of per capita aid payable to The City and available for apportionment and payment from the General Fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds to the Corporation are subject to annual appropriation for such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate any such amounts so certified by the Chairman, as aforesaid.

6. The 1978 Series 10 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 1978 Series 10 Bonds be payable out of any funds other than those of the Corporation.

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

(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; and

(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 and the Special Tax Account within the Tax Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or accounts.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the per capita aid referred to hereinbefore or the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) wherein a creditor of The City or The City seeks to assert 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, neither The City nor such creditor will 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 applicable to 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 1978 Series 10 Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

11. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the 1978 Series 10 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1978 Series 10 Bonds, and the execution and delivery of the 1978 Series 10 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 1978 Series 10 Bond numbered 10-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

BOND PURCHASE AGREEMENT

Dated as of November 15, 1978
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Part</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parties</td>
<td>1</td>
</tr>
<tr>
<td>Recitals</td>
<td>1</td>
</tr>
<tr>
<td><strong>SECTION 1.</strong> Sale and Purchase of the Bonds</td>
<td>2</td>
</tr>
<tr>
<td>1.1. Reliance and Agreement to Purchase</td>
<td>2</td>
</tr>
<tr>
<td>1.2. Type of Bonds and Maturity</td>
<td>2</td>
</tr>
<tr>
<td>1.3. Purchase Price and Interest Rate</td>
<td>4</td>
</tr>
<tr>
<td>1.4. Redemption Provisions</td>
<td>4</td>
</tr>
<tr>
<td>1.5. Series Resolutions</td>
<td>5</td>
</tr>
<tr>
<td>1.6. Determination of Closing Dates and Principal Amounts</td>
<td>6</td>
</tr>
<tr>
<td>1.7. Closings</td>
<td>8</td>
</tr>
<tr>
<td><strong>SECTION 2.</strong> Representations and Warranties of the Corporation</td>
<td>9</td>
</tr>
<tr>
<td>2.1. The Corporation; the MAC Act</td>
<td>9</td>
</tr>
<tr>
<td>2.2. Official Statement</td>
<td>9</td>
</tr>
<tr>
<td>2.3. Financial Statements</td>
<td>10</td>
</tr>
<tr>
<td>2.4. Authorization; Validity</td>
<td>10</td>
</tr>
<tr>
<td>2.5. State Covenant</td>
<td>10</td>
</tr>
<tr>
<td>2.6. Payment of the Bonds</td>
<td>11</td>
</tr>
<tr>
<td>2.7. No Conflict, etc.</td>
<td>11</td>
</tr>
<tr>
<td>2.8. Governmental Approvals</td>
<td>11</td>
</tr>
<tr>
<td>2.9. Pending or Threatened Litigation</td>
<td>11</td>
</tr>
<tr>
<td>2.10. Lien</td>
<td>12</td>
</tr>
<tr>
<td>2.11. Use of Proceeds</td>
<td>13</td>
</tr>
<tr>
<td>2.12. Sovereign Immunity</td>
<td>13</td>
</tr>
<tr>
<td>2.13. Certificates to Constitute Representation and Warranty of the Corporation</td>
<td>13</td>
</tr>
<tr>
<td><strong>SECTION 3.</strong> Conditions to Closings</td>
<td>13</td>
</tr>
<tr>
<td>3.1. Guaranteed Bonds</td>
<td>14</td>
</tr>
<tr>
<td>3.2. Simultaneous Purchases</td>
<td>15</td>
</tr>
<tr>
<td>3.3. Purchases Pursuant to Financial Plan</td>
<td>16</td>
</tr>
<tr>
<td>3.4. Agreements and Legislation in Effect</td>
<td>17</td>
</tr>
<tr>
<td>3.5. No Adverse Decision</td>
<td>18</td>
</tr>
<tr>
<td>3.6. No Material Adverse Changes in MAC's Affairs</td>
<td>20</td>
</tr>
<tr>
<td>3.7. No Specified Adverse Changes in City's Affairs</td>
<td>21</td>
</tr>
<tr>
<td>3.8. No Default of Corporation, City, State or Certain Agencies; No Bankruptcy, etc.</td>
<td>22</td>
</tr>
<tr>
<td>Section</td>
<td>Title</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>3.9</td>
<td>Amendment or Supplement of Official Statement</td>
</tr>
<tr>
<td>3.10</td>
<td>Certificates</td>
</tr>
<tr>
<td>3.11</td>
<td>Instruments Delivered under Second Bond Resolution</td>
</tr>
<tr>
<td>3.12</td>
<td>Opinions</td>
</tr>
<tr>
<td>3.13</td>
<td>Arbitrage Certificate and Opinion</td>
</tr>
<tr>
<td>3.14</td>
<td>State Comptroller Approval</td>
</tr>
<tr>
<td>3.15</td>
<td>Tax Exemption</td>
</tr>
<tr>
<td>3.16</td>
<td>Legal Investment</td>
</tr>
<tr>
<td>3.17</td>
<td>Contributions to Pension Funds</td>
</tr>
<tr>
<td>3.18</td>
<td>No Prohibited Transactions, etc.</td>
</tr>
<tr>
<td>3.19</td>
<td>Qualified Status</td>
</tr>
<tr>
<td>3.20</td>
<td>Legislative Amendments</td>
</tr>
<tr>
<td>3.21</td>
<td>Additional Certificates, etc.</td>
</tr>
<tr>
<td></td>
<td><strong>SECTION 4.</strong> Covenants of the Corporation</td>
</tr>
<tr>
<td>4.1</td>
<td>Annual and Quarterly Reports</td>
</tr>
<tr>
<td>4.2</td>
<td>Other Information</td>
</tr>
<tr>
<td>4.3</td>
<td>Limitations on Indebtedness</td>
</tr>
<tr>
<td>4.4</td>
<td>Provisions with Respect to State Covenant</td>
</tr>
<tr>
<td>4.5</td>
<td>Home Office Payment</td>
</tr>
<tr>
<td></td>
<td><strong>SECTION 5.</strong> Miscellaneous</td>
</tr>
<tr>
<td>5.1</td>
<td>Notices</td>
</tr>
<tr>
<td>5.2</td>
<td>Expenses</td>
</tr>
<tr>
<td>5.3</td>
<td>Parties in Interest</td>
</tr>
<tr>
<td>5.4</td>
<td>Certain Provisions Executory</td>
</tr>
<tr>
<td>5.5</td>
<td>Representations and Agreements to Survive Delivery</td>
</tr>
<tr>
<td>5.6</td>
<td>Representations of Purchasers</td>
</tr>
<tr>
<td>5.7</td>
<td>Resale Restrictions</td>
</tr>
<tr>
<td>5.8</td>
<td>Independent Investment Decisions</td>
</tr>
<tr>
<td>5.9</td>
<td>Pension Fund Covenant</td>
</tr>
<tr>
<td>5.10</td>
<td>No Implied Waivers</td>
</tr>
<tr>
<td>5.11</td>
<td>Amendments, Consents, Waivers</td>
</tr>
<tr>
<td>5.12</td>
<td>Table of Contents and Headings</td>
</tr>
<tr>
<td>5.13</td>
<td>Definitions</td>
</tr>
<tr>
<td>5.14</td>
<td>Applicable Law</td>
</tr>
<tr>
<td>5.15</td>
<td>Term of Agreement</td>
</tr>
<tr>
<td>5.16</td>
<td>Counterparts</td>
</tr>
<tr>
<td>TABLE OF CONTENTS—Continued</td>
<td>PAGE</td>
</tr>
<tr>
<td>----------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Signatures</td>
<td>44</td>
</tr>
<tr>
<td>Schedule I—Purchasers and Commitments</td>
<td>50</td>
</tr>
<tr>
<td>Schedule II—Serial Bond Maturities for Closing in Fiscal Year 1979</td>
<td>58</td>
</tr>
<tr>
<td>Schedule III—Determination of Interest Rates for Closings After Fiscal Year 1979</td>
<td>59</td>
</tr>
<tr>
<td>Schedule IV—Description of Existing Litigation</td>
<td>64</td>
</tr>
<tr>
<td>Schedule V—Legislative Amendments Required by Section 3.20</td>
<td>65</td>
</tr>
<tr>
<td>Exhibit A—Adherence Agreement</td>
<td></td>
</tr>
<tr>
<td>Exhibit B—Form of Series Resolutions for Fiscal Years After 1979</td>
<td></td>
</tr>
<tr>
<td>Exhibit C—Certificate of the Municipal Assistance Corporation For The City of New York</td>
<td></td>
</tr>
<tr>
<td>Exhibit D-1—Certificate of the New York State Financial Control Board</td>
<td></td>
</tr>
<tr>
<td>Exhibit D-2—Certificate of the New York State Financial Control Board</td>
<td></td>
</tr>
<tr>
<td>Exhibit E—Certificate of the Comptroller of the State of New York</td>
<td></td>
</tr>
<tr>
<td>Exhibit F—Certificate of The City of New York</td>
<td></td>
</tr>
<tr>
<td>Exhibit G—Opinion of Paul, Weiss, Rifkind, Wharton &amp; Garrison</td>
<td></td>
</tr>
<tr>
<td>Exhibit H-1—Opinion of Hawkins, Delafield &amp; Wood</td>
<td></td>
</tr>
<tr>
<td>Exhibit H-2—Opinion of Hawkins, Delafield &amp; Wood</td>
<td></td>
</tr>
<tr>
<td>Exhibit H-3—Opinion of Hawkins, Delafield &amp; Wood</td>
<td></td>
</tr>
<tr>
<td>Exhibit I-1—Opinion of the State Attorney General</td>
<td></td>
</tr>
<tr>
<td>Exhibit I-2—Opinion of the State Attorney General</td>
<td></td>
</tr>
<tr>
<td>Exhibit J—Opinion of the City Corporation Counsel</td>
<td></td>
</tr>
<tr>
<td>Exhibit K—Opinion of Rogers &amp; Wells</td>
<td></td>
</tr>
<tr>
<td>Exhibit L—Opinion of Davis Polk &amp; Wardwell</td>
<td></td>
</tr>
</tbody>
</table>
BOND PURCHASE AGREEMENT

AGREEMENT dated as of November 15, 1978 among the MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK (the "Corporation") and, severally and not jointly, each of the commercial banks, savings banks and insurance companies (the "Financial Institutions"), and the New York City Pension Funds (the "Pension Funds"), listed on Schedule I hereto. The Financial Institutions and the Pension Funds are herein collectively referred to as the "Purchasers".

WITNESSETH:

WHEREAS, the Corporation will authorize the issuance and sale to the Purchasers of its bonds under this Agreement (the "Bonds") pursuant to its Second General Bond Resolution adopted November 25, 1975, as from time to time amended and supplemented (the "Second Bond Resolution"); the Bonds will be issued pursuant to the Second Bond Resolution and the 1978 Series 1 Resolution, the 1978 Series 12 Resolution and the 1978 Series 13 Resolution, each adopted and supplemented prior to the execution of this Agreement, and from time to time after June 30, 1979 by series resolutions adopted in accordance with Section 1.5, (collectively, the "Series Resolutions"); the Second Bond Resolution and the Series Resolutions are from time to time herein referred to as the "Resolutions";

WHEREAS, pursuant to Section 10-a.1 of the New York State Financial Emergency Act for The City of New York, as from time to time amended (the "FCB Act"), the City has been authorized to include in its bonds and notes and the Corporation has been authorized and required to include in its bonds, including the Bonds, a pledge and agreement (the "State Covenant") of the State of New York (the "State") that the State will not take certain actions, including any action which will substantially impair the authority of the New York State Financial Control Board (the "Control Board") for The City of New York in specified respects to be an independent monitor of the fiscal affairs of The City of New York (the "City"); the City has executed and delivered an Adherence Agreement dated the date hereof, in the form attached hereto as Exhibit A (the "Adherence Agreement"), in which the City has agreed with and for the benefit of the Purchasers that, among other things, it will comply with the provisions of the FCB Act, as it may be amended from time to time, and that it will comply with certain provisions of the FCB Act as in effect on the date hereof; pursuant to Section 10-a.3 of the FCB Act, the City has included in the Adherence Agreement a pledge and agreement of the State that the State will not take certain actions with respect to the Adherence Agreement; and the
Purchasers have informed the State and the Corporation, and the Corporation acknowledges, that the enactment and amendment to date of the FCB Act, the requirement that the State Covenant be included in the Bonds, the inclusion of the State Covenant in this Agreement and in the Series Resolutions and the execution and delivery of the Adherence Agreement are each essential prerequisites to the execution and delivery of this Agreement by the Purchasers and their purchase of Bonds hereunder; and


NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained the parties hereto agree as follows:

SECTION 1. Sale and Purchase of the Bonds.

1.1. Reliance and Agreement to Purchase. Subject to the terms and conditions hereof and in reliance on the representations, warranties and covenants of the Corporation in this Agreement and in the Resolutions, of the City in the Adherence Agreement and of the State in the State Covenant, the Adherence Agreement, Section 3015 of the MAC Act (as defined in Section 2.1 below) and Section 906 of the Second Bond Resolution, each of which represents to the Purchasers an integral and important undertaking to them, each Purchaser severally and not jointly agrees to purchase from the Corporation in each of the Fiscal Years specified in Schedule I hereto, on the Closing Date or Dates and in the principal amounts determined by the Corporation pursuant to Section 1.6, an aggregate principal amount of Bonds not exceeding the principal amount set forth therein opposite the name of such Purchaser for such Fiscal Year. References to a “Fiscal Year” are to the 12-month period ending on June 30 of such year. The Bonds shall be in such form as is prescribed in, shall be subject to, and shall have the benefits of the terms and covenants and be secured in accordance with the provisions of, the Resolutions.

1.2. Type of Bonds and Maturity. (a) Except for Bonds purchased in Fiscal Year 1979 by the insurance companies listed on Schedule II hereto, all Bonds of each Series shall be Term Bonds (as defined in the Resolutions) maturing no later than July 1 in the twentieth Fiscal Year commencing after
the Closing Date (as defined in Section 1.6(d)) for the purchase of Bonds of such Series. The Term Bonds shall be retired in substantial part prior to their stated maturities through operation of a sinking fund. All Term Bonds issued on a particular Closing Date shall have the same maturity and (subject to rounding each Sinking Fund Installment, as defined in the Second Bond Resolution, to the nearest $5,000) shall have the same average life and a proportionate mandatory sinking fund schedule. Bonds purchased in Fiscal Year 1979 by the insurance companies listed in Schedule II hereto shall be Serial Bonds (as defined in the Resolutions) having the maturities and bearing interest as described in Schedule II hereto.

(b) The Bonds issued to any Purchaser on any Closing Date in Fiscal Year 1980, 1981 or 1982 shall have an average life as of such Closing Date of not more than 13.2 years; provided, however, that they may have an average life as of such Closing Date of not more than 16 years so long as (i) after giving effect to such issuance of Bonds, the weighted average of the average lives as of the respective Closing Dates shall be no more than 13.2 years for (A) all Bonds which have been issued to such Purchaser during such Fiscal Year, or (B) all Bonds which have been and are to be issued to such Purchaser during such Fiscal Year in accordance with this Section 1 (the Corporation having demonstrated, based on reasonable assumptions, that such Bonds to be issued, together with the Bonds to be issued simultaneously to the other Purchasers, will meet the coverage requirements for bonds issued under the Second Bond Resolution ("Second Resolution Bonds")) and (ii) no Bonds issued during such Fiscal Year shall have an average life as of the Closing Date for the purchase of such Bonds of less than seven years. If the Corporation shall issue any Bonds in reliance on the proviso in the preceding sentence but (as a result of not utilizing any Purchaser’s full commitment during the applicable Fiscal Year for any reason other than a default by such Purchaser) the weighted average of the average lives as of the respective Closing Dates for all Bonds issued to such Purchaser during such Fiscal Year is more than 13.2 years (the “Long Bonds”), then (i) the Bonds issued to such Purchaser on the first Closing Date in a subsequent Fiscal Year (or, if the weighted average of the average lives as of the respective Closing Dates of the Long Bonds and the Bonds issued to such Purchaser on such first Closing Date is more than 13.2 years and if such Bonds so issued represent less than 50% of such Purchaser’s commitment during the Fiscal Year of such Closing Date, on the first two Closing Dates in a subsequent Fiscal Year) (the “Short Bonds”) shall have an average life (or lives) such that the weighted average of the average lives as of the respective Closing Dates for the Short Bonds and the Long Bonds
shall be no more than 13.2 years, (ii) the average life of all such Short Bonds shall be no more than 13.2 years and (iii) the weighted average of the average lives as of the respective Closing Dates for the Long Bonds, the Short Bonds and all other Bonds, if any, issued to such Purchaser later in the Fiscal Year in which the Short Bonds are issued shall be no more than 13.2 years.

1.3. *Purchase Price and Interest Rate.* As provided in the Series Resolutions adopted prior to the date hereof, the Term Bonds to be purchased on the first Closing Date shall bear interest at a rate of 8% per annum and the Serial Bonds to be purchased on the first Closing Date shall bear interest as shown on Schedule II and the purchase price for such Bonds shall be equal to 98.075% of the principal amount thereof, together with interest accrued to the date of purchase. The purchase price for all Bonds purchased hereunder after Fiscal Year 1979 shall be equal to 100% of the principal amount thereof, together with interest accrued to the date of purchase. Bonds purchased on each subsequent Closing Date shall bear interest at the rate per annum determined as described in Schedule III hereto, with the first installment of interest payable no more than eight months after such Closing Date.

1.4. *Redemption Provisions.* (a) The Resolutions shall provide that the Bonds (other than the Serial Bonds) shall be subject to mandatory redemption, in part, by lot, on July 1 of specified years, beginning no later than the tenth Fiscal Year commencing after the date of original issuance, through operation of a sinking fund in accordance with the provisions of Section 1.2.

(b) Each Series Resolution substantially in the form of Exhibit B hereto shall provide that the Bonds issued pursuant thereto shall be subject to redemption at the option of the Corporation on or after July 1 in the tenth Fiscal Year commencing after the date of their original issuance, as a whole on any date, or in part by lot on any interest payment date, at a redemption price of 102% of the principal amount of Bonds being redeemed in the tenth Fiscal Year commencing after the date of their original issuance, 101.5% in the eleventh Fiscal Year, 101% in the twelfth Fiscal Year, 100.5% in the thirteenth Fiscal Year and 100% in the fourteenth Fiscal Year or at any time thereafter, together in each case with accrued interest to the date of redemption; provided, however, that for Bonds to be purchased on a particular Closing Date, if the optional redemption prices or the period before any optional redemption can be made for the series of Second Resolution Bonds then most recently issued and sold by the Corporation in a public sale (the "Public Bonds") are different from the foregoing provisions of this paragraph, the optional redemption provisions for the Bonds to be purchased on such Closing Date shall be determined as follows: (i) the Bonds to be purchased on such Closing Date shall be redeemable at the option
of the Corporation beginning on July 1 of the tenth Fiscal Year commencing after the date of their original issuance; (ii) if the earliest optional redemption date of the Public Bonds is during the tenth Fiscal Year commencing after the date of their original issuance, the initial optional redemption price for the Bonds to be purchased on such Closing Date shall be equal to the initial redemption price for the Public Bonds, together with accrued interest to the date of redemption; (iii) if the earliest optional redemption date of the Public Bonds is during a Fiscal Year later than the tenth Fiscal Year commencing after the date of their original issuance, the initial optional redemption price for the Bonds to be purchased on such Closing Date shall be equal to (A) the initial optional redemption price for the Public Bonds plus (B) one-half percent multiplied by the result of subtracting ten from the number of years from the Fiscal Year of original issuance of the Public Bonds to the Fiscal Year in which the Public Bonds are first redeemable at the option of the Corporation, together with accrued interest to the date of redemption; (iv) if the earliest optional redemption date of the Public Bonds is during a Fiscal Year earlier than the tenth Fiscal Year commencing after the date of their original issuance, the initial optional redemption price for the Bonds to be purchased on such Closing Date shall be equal to (A) the initial optional redemption price for the Public Bonds less (B) one-half percent multiplied by the result of subtracting from ten the number of years from the Fiscal Year of original issuance of the Public Bonds to the Fiscal Year in which the Public Bonds are first redeemable at the option of the Corporation, together with accrued interest to the date of redemption; (v) the initial optional redemption price as determined in clauses (ii) through (iv) above shall apply for the period from July 1 to June 30 of the tenth Fiscal Year commencing after the date of original issuance of the Bonds to be purchased on such Closing Date and the optional redemption price shall be reduced by one-half percent each July 1 thereafter. Notwithstanding the foregoing to the contrary, the initial optional redemption price for such Bonds shall never be less than 102% of the principal amount of Bonds being redeemed, and in no event shall a redemption price be less than 100% of the principal amount of Bonds being redeemed, together in each case with accrued interest to the date of redemption.

1.5. Series Resolutions. In Fiscal Year 1979 the Term Bonds purchased by the Financial Institutions shall be issued pursuant to the 1978 Series 11 Resolution adopted prior to the execution of this Agreement, all Bonds purchased by the Pension Funds shall be issued pursuant to the 1978 Series 12 Resolution adopted prior to the execution of this Agreement and all Serial
Bonds purchased by the Financial Institutions shall be issued pursuant to the 1978 Series 13 Resolution adopted prior to the execution of this Agreement. Before each Closing Date after Fiscal Year 1979, the Corporation shall adopt two Series Resolutions substantially in the form of Exhibit B hereto, each with appropriate insertions to reflect the terms of the Bonds to be issued on such Closing Date in accordance with the provisions of this Section 1; all Bonds sold on such Closing Date to the Financial Institutions shall be issued under one such Series Resolution and all Bonds sold on such Closing Date to the Pension Funds shall be issued under the other Series Resolution.

1.6. Determination of Closing Dates and Principal Amounts. (a) Delivery of the Bonds to be purchased, severally and not jointly, by the Purchasers during Fiscal Year 1979 shall be made on November 17, 1978 or on such other date as the Corporation and the Purchasers may mutually agree.

(b) On or before July 1 of each Fiscal Year after Fiscal Year 1979 through and including Fiscal Year 1982, the Corporation shall deliver to each of the Purchasers a schedule, consistent with the then current Financial Plan covering the four Fiscal Years beginning on such July 1, setting forth the date or dates during the upcoming Fiscal Year on which it is anticipated that Bonds are to be purchased hereunder and the aggregate principal amount to be purchased on each such date in accordance with paragraph (c) of this Section. Such schedule shall be solely for the convenience of the Purchasers and shall not constitute a notice contemplated by paragraph (c) of this Section. For purposes of this Agreement, the term “Financial Plan” shall mean the City’s four-year financial plan, as modified from time to time, prepared pursuant to the FCB Act, provided that such plan and any such modification have been approved by the Control Board pursuant to the FCB Act.

(c) The Corporation shall give to each of the Purchasers 30 calendar days’ written notice of any date for the purchase of Bonds during Fiscal Years 1980, 1981 and 1982, specifying the aggregate principal amount of Bonds to be purchased on such date by each of the Purchasers in accordance with paragraph (e) of this Section, and five business days’ written notice of the maturity of, redemption provisions for and the date as of which interest on such Bonds will first accrue. For purchases during Fiscal Year 1982, each date, if any, so specified shall be on or before December 31, 1981. Delivery of the Bonds specified in each notice pursuant to this paragraph shall be made on the date specified in such notice or on such other date as the Corporation and the Purchasers purchasing such Bonds may mutually agree; provided, however,
that the Corporation may postpone such date pursuant to paragraph (d) of this Section. There shall be no more than four Closing Dates (as defined in paragraph (d) of this Section) in any one Fiscal Year beginning with Fiscal Year 1980 and at least $100 million aggregate principal amount of Bonds shall be scheduled to be purchased on each such Closing Date.

(d) Upon notice to the Purchasers, at any time on or before a scheduled date for the purchase of Bonds after Fiscal Year 1979, and from time to time, the Corporation may postpone the date for the purchase of such Bonds to a specified date up to 90 calendar days from the date determined pursuant to paragraph (c) of this Section. The Corporation shall not be required to give notice of any such postponement in advance of the previously scheduled purchase date. The foregoing to the contrary notwithstanding, no date for the purchase of Bonds may be postponed to a subsequent Fiscal Year. Notwithstanding anything in this Agreement to the contrary, no date for the purchase of Bonds in Fiscal Year 1982 may be postponed beyond January 20, 1982. Each date for the purchase of Bonds determined as provided in this Section, after giving effect to any postponement pursuant to this paragraph, is herein referred to as a “Closing Date.”

(e) The aggregate principal amount of Bonds to be purchased on each Closing Date in any Fiscal Year shall be scheduled to be purchased simultaneously by the several Purchasers ratably in proportion to the respective principal amounts of Bonds set forth opposite their names for such Fiscal Year in Schedule I hereto plus, to the extent provided in Section 3.5(b), any additional principal amounts for such Fiscal Year in respect of Bonds not purchased in prior Fiscal Years solely as a result of Section 3.5(a). No Purchaser shall be obligated to purchase a greater or lesser aggregate principal amount of Bonds on any Closing Date by reason of another Purchaser's not purchasing, or not having purchased, the aggregate principal amount of Bonds scheduled to be purchased by it.

(f) To the extent that the Bonds scheduled pursuant to paragraph (a), (c) or (d) of this Section to be purchased by any Purchaser on a Closing Date are not so purchased on such Closing Date and such Purchaser has not defaulted in its obligation hereunder to purchase such Bonds, the obligation of such Purchaser to purchase the principal amount of such Bonds shall terminate forthwith, except to the extent that such Bonds are not purchased solely as a result of Section 3.5(a) and the relevant decision, ruling or finding is reversed on appeal or otherwise set aside during the Fiscal Year of such Closing Date, in which case (i) if such reversal or setting aside occurs on or before February 1 of such Fiscal Year the commitment to purchase such Bonds
during such Fiscal Year shall be reinstated and must be utilized, if at all, during such Fiscal Year and (ii) if such reversal or setting aside occurs after February 1 of such Fiscal Year the remaining commitment to purchase such Bonds during such Fiscal Year shall be reinstated and may be utilized, in full in such Fiscal Year, or in accordance with the provisions of Section 3.5(b) in a subsequent Fiscal Year. To the extent the Corporation does not give timely notification or notifications to a Purchaser pursuant to paragraph (c) of this Section of its election to sell to such Purchaser the full aggregate principal amount of Bonds which such Purchaser has agreed to purchase during the applicable Fiscal Year, the obligation of the Purchaser to purchase the principal amount of Bonds not included in any such timely notice for such Fiscal Year shall terminate forthwith. Notwithstanding the termination of a commitment pursuant to this paragraph, (A) such commitment may be reinstated and utilized in accordance with this paragraph or (B) commitments in subsequent Fiscal Years may be increased in respect of such terminated commitments in accordance with Section 3.5(b).

1.7. Closings. Delivery of the Bonds to be purchased by the Purchasers shall be made at the offices of The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, New York, or at such other place or places as the Corporation and the Purchasers purchasing such Bonds shall mutually agree. At each closing, the Corporation shall deliver to each Purchaser a Bond or Bonds, dated the Closing Date or any date within 45 days before the Closing Date (in each case with no more than 45 days of interest accrued to the Closing Date), in the aggregate principal amount of Bonds being purchased by such Purchaser on such Closing Date, against payment therefor by a certified or official bank check in New York Clearing House funds payable to the order of the Corporation in the amount of the purchase price thereof. The Bonds so delivered shall be in such authorized denominations and in bearer or registered form (and, in the case of registered Bonds, registered in such names) as the Purchaser thereof shall have requested in a notice to the Corporation given not less than 10 calendar days prior to the Closing Date or, in the case of the first Closing Date, not less than two business days prior to such Closing Date or, in the absence of such notice from a Purchaser purchasing Bonds on a Closing Date, such Purchaser shall receive one Bond registered in its name in the full principal amount being purchased by it on such Closing Date. Notwithstanding the foregoing, if the Corporation delivers temporary Bonds on any Closing Date, any such temporary Bond shall be in fully registered form only and the Corporation shall make definitive Bonds available for exchange pursuant to Section 310 of the Second Bond Resolution
as soon thereafter as practicable and in any event not later than 30 days after
the Closing Date and shall pay the expenses, if any, of each Purchaser incurred
in connection with such exchange.

SECTION 2. Representations and Warranties of the Corporation. The
Corporation hereby represents and warrants to each of the Purchasers that:

2.1. The Corporation; the MAC Act. The Corporation is a corporate
governmental agency and instrumentality of the State constituting a pub-
lic benefit corporation duly created and validly existing under the provisions of
the New York State Municipal Assistance Corporation Act, as amended
by the Municipal Assistance Corporation for the City of New York
Act, being Titles I, II and III of Article 10 of the Public Authorities Law,
each as further amended (the "MAC Act"). The MAC Act has been validly
enacted and is in full force and effect.

2.2. Official Statement. The Corporation has delivered to each Pur-
chaser, prior to the date of execution hereof, the preliminary official state-
ment dated November 10, 1978 of the Corporation and, in connection with
the execution hereof, the official statement, marked to show all changes from
the preliminary official statement, each containing information material to the
purchase of Bonds on the first Closing Date concerning the Corporation, its
securities, the City, the State and other matters, including annual financial state-
mements of the type required pursuant to Section 4.1. The Corporation will de-
lever to each Purchaser, at least five business days prior to each subsequent
Closing Date, an official statement containing information material to the pur-
chase of Bonds on such Closing Date concerning the Corporation, its securities,
the City, the State and other matters, including audited annual financial state-
mements for the most recent Fiscal Year and unaudited quarterly financial state-
mements for any subsequent quarters then completed, of the type and as then
required to be delivered pursuant to Section 4.1. For this purpose the Corpora-
tion may prepare one official statement for all of the anticipated Closing Dates
in a particular Fiscal Year and deliver any amendments or supplements thereto
as may be necessary for each purchase of Bonds during such Fiscal Year at
least five business days before the applicable Closing Date. As used herein
the term "Official Statement" shall refer to the most recent official statement
referred to above, as it may be amended or supplemented from time to time.
The Official Statement does not, and will not as of the date of any amendment
or supplement, in connection with the offer and sale of the Bonds, contain
any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

2.3. Financial Statements. The financial statements of the Corporation contained in the Official Statement fairly present the financial position and transactions in the debt service funds, the capital reserve funds and the operating funds referred to below of the Corporation as of the dates and for the periods therein specified in accordance with generally accepted accounting principles consistently applied. Since the date of the most recent financial statements included in the Official Statement, there has been no material adverse change in the financial position of the Corporation or in transactions in the debt service funds, the capital reserve funds or the operating funds established under the Second Bond Resolution and the Corporation’s General Bond Resolution adopted July 2, 1975, as supplemented and amended (the “First Bond Resolution”), except as referred to in the Official Statement.

2.4. Authorization; Validity. The execution, delivery and performance by the Corporation of this Agreement and the Bonds issued or to be issued on or before the date as of which this representation and warranty is made have been duly authorized by proper proceedings. The Second Bond Resolution and each Series Resolution relating to such Bonds have been validly adopted and are in full force and effect. This Agreement has been duly executed and delivered by the Corporation. This Agreement and the Resolutions referred to above constitute valid and legally binding obligations of the Corporation. All Bonds, if any, issued on or before the date as of which this representation and warranty is made have been duly authorized, executed, authenticated, issued and delivered and constitute valid and legally binding obligations of the Corporation, and are entitled to the benefits of the Resolutions. The Corporation is subject to suit by the Purchasers to enforce the Corporation’s obligations under this Agreement, and by the Trustee under the Second Bond Resolution or Bondholders in accordance with Section 1207 of the Second Bond Resolution, to enforce the Corporation’s obligations under the Resolutions and the Bonds, and courts of competent jurisdiction have power in appropriate proceedings to enforce such obligations.

2.5. State Covenant. The Corporation has been duly authorized and required to include the State Covenant in the Bonds. The Bonds to be delivered to the Purchasers pursuant to this Agreement will contain the State Covenant. The FCB Act has been validly enacted and is in full force and effect.
2.6. **Payment of the Bonds.** The Corporation shall pay punctually the principal, premium, if any, and interest on the Bonds when the same shall become due. To that end the Corporation covenants and warrants that it will take all action and do all things which it may lawfully take and do in order to perform and observe all covenants and agreements on its part to be performed and observed under the MAC Act, this Agreement, the Resolutions and the Bonds in order to provide for and to assure payment of the principal of and premium, if any, and interest on the Bonds when the same shall become due.

2.7. **No Conflict, etc.** The execution, delivery and performance of this Agreement, the Bonds, the Resolutions and the Official Statement, under the circumstances contemplated hereby and by the Official Statement, will not conflict with or constitute on the part of the Corporation a breach of, or a default under, any law, resolution, ordinance, regulation, decree or order existing on the date of as which this representation and warranty is made, the by-laws of the Corporation, or any agreement, indenture, mortgage, lease or other instrument to which the Corporation is subject or by which it is bound.

2.8. **Governmental Approvals.** No authorization, consent or approval of, or filing or registration with, any Governmental Authority or court is or will be necessary, under requirements of law existing on the date as of which this representation and warranty is made, for the valid execution, delivery or performance by the Corporation of this Agreement, the Resolutions or the Bonds (other than the adoption by the Corporation of Series Resolutions, and any required State Comptroller approval of the terms of sale, for Bonds to be issued after the date as of which this representation and warranty is made), or, if necessary, such authorization, consent, approval, filing or registration has been duly obtained or made. As used herein, the term “Governmental Authority” shall refer to any legislative body or other governmental official, department, commission, board, bureau, agency, instrumentality, body or public benefit corporation (which has the jurisdiction and power to take the action it purports to take).

2.9. **Pending or Threatened Litigation.** There is no action, suit, proceeding or investigation before or by any court or Governmental Authority pending, or (to the best of the knowledge of the Corporation) overtly threatened, against the Corporation or (to the best of the knowledge of the Corporation, no independent investigation having been made) any other person wherein an
unfavorable decision, ruling or finding would (a) in any material respect impair the powers, limit the duties or shorten the duration of the Control Board, each as referred to in the State Covenant, (b) in any material respect limit the obligations of the City referred to in the State Covenant or contained in Section 9-a or 9-b of the FCB Act or the obligations of the City under the FCB Act to adopt and adhere to balanced budgets, to adopt and adhere to financial plans or to comply with orders of the Control Board, (c) declare the State Covenant or the Adherence Agreement invalid or unenforceable in whole or in material part, (d) in any other manner adversely affect provisions for or materially adversely affect sources for payment of the principal of or premium, if any, or interest on the Bonds, as such provisions and sources are described in the Official Statement delivered in connection with the execution hereof, or (e) declare the Resolutions, the MAC Act or the Corporation's obligations under the Bonds to be invalid or unenforceable in whole or in material part; except any such action, suit, proceeding or investigation (or any action, suit or proceeding which may be brought with respect to the subject matter of any such investigation) (A) which is referred to in Schedule IV hereto, or (B) wherein an unfavorable decision, ruling or finding would have any of the effects described in clause (a), (b) or (c) above, but which is referred to in a certificate of the Chairman of the Corporation delivered on the Closing Date as of which this representation and warranty is made to the Purchasers and to each of the counsel delivering opinions on such date pursuant to Section 3.12(b) and (e), or (C) wherein an unfavorable decision, ruling or finding would have any of the effects described in clause (d) or (e) above, but which, in the opinion (which opinion shall be addressed, and be in form and substance satisfactory, to the Purchasers and shall be dated the date as of which this representation and warranty is made) of Paul, Weiss, Rifkind, Wharton & Garrison, Hawkins, Delafield & Wood, or other counsel acceptable to the Purchasers (which acceptance shall not be unreasonably withheld), the decision, ruling or finding of the court or Governmental Authority of final jurisdiction would not have any of the effects described in clause (d) or (e) above.

2.10. Liens. Except for liens described in the Official Statement (including liens created by the bonds and notes issued by the Corporation on or before the date as of which this representation and warranty is made, by the Second Bond Resolution, by the First Bond Resolution and by the Guarantee Fund required by the Agreement to Guarantee (as defined in Section 3.1(a))), there is no lien, charge or encumbrance of any kind on the revenues of the Corporation, the property of the Corporation (other than any property which
may be subject to conditional sales, mechanics’ and similar liens), or the moneys held in the Special Aid Account (as defined in the Second Bond Resolution), the special account created for the Corporation in the Municipal Assistance Tax Fund established pursuant to Section 92-d of the State Finance Law (the “Special Tax Account”) or the Stock Transfer Tax Fund established pursuant to Section 92-b of the State Finance Law (the “Stock Transfer Tax Fund”).

2.11. Use of Proceeds. The Corporation will apply the proceeds of the sale of the Bonds to be purchased hereunder as described in the Official Statement. Such proceeds will not be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended the (“Code”), and the applicable regulations from time to time promulgated or proposed thereunder. The proceeds of the sale of the Bonds will not be used directly or indirectly for the purpose, whether immediate, incidental or ultimate, of “purchasing” or “carrying” any “margin stock” or “margin security” as defined in Regulations G and U, respectively, of the Board of Governors of the Federal Reserve System, as amended from time to time.

2.12. Sovereign Immunity. In any proceeding by a Purchaser to enforce any of the obligations of the Corporation under this Agreement in a court of competent jurisdiction, the Corporation does not have and agrees not to assert the defense of sovereign immunity and consents to the initiation of such proceeding. In any proceeding by the Trustee under the First or Second Bond Resolution, or by Bondholders in accordance with Section 1207 of the Second Bond Resolution, to enforce any obligations of the Corporation under the Bonds, the Resolutions, the First Bond Resolution or the MAC Act in a court of competent jurisdiction, the Corporation does not have and agrees not to assert the defense of sovereign immunity and consents to the initiation of such proceeding.

2.13. Certificates to Constitute Representation and Warranty of the Corporation. Any certificate signed by any officer of the Corporation and delivered to the Purchasers pursuant to this Agreement shall be deemed a representation and warranty by the Corporation to each of the Purchasers as to the accuracy of the statements therein made.

SECTION 3. Conditions to Closings. The obligation of each of the several Purchasers to purchase Bonds on any Closing Date shall be subject
to (a) the performance or observance by the Corporation of all of the agree-
ments and conditions to be performed or observed by it under this Agreement
and the Resolutions on or prior to such Closing Date, (b) the accuracy on
such Closing Date of the representations and warranties in (i) Section 2 of this
Agreement and Section 1 of the Adherence Agreement on and as of such
Closing Date as if made on and as of such date and (ii) the certificates
delivered on such Closing Date pursuant to this Agreement and (c) the satis-
faction, on the Closing Date, of the following conditions:

3.1. Guaranteed Bonds. (a) There shall have been executed and
delivered on or prior to the first Closing Date an Agreement to Guarantee
dated as of November 15, 1978 (the “Agreement to Guarantee”) among the
United States of America, acting by and through the Secretary of the Treasury
(the “Secretary”), the State, the City, the Control Board and the Corporation
and a Guaranteed Bond Purchase Agreement dated as of November 15, 1978
(the “Guaranteed Bond Purchase Agreement”) among the City, the City and
State pension funds named therein and the United States of America, act-
ing by and through the Secretary, each in the form delivered to the Purchasers
prior to the execution of this Agreement, providing for the guarantee of City
bonds (the “Guaranteed Bonds”) pursuant to the Federal Guarantee Act and
the purchase of the Guaranteed Bonds by such City and State pension funds.

(b) The City and State pension funds named in the Guaranteed Bond
Purchase Agreement shall have purchased at least 90% in aggregate principal
amount of Guaranteed Bonds scheduled pursuant to Section 1.4 or 4.9(b) of
such agreement to have been purchased before the Closing Date, and the obli-
gation of each such pension fund to purchase the balance of such Guaranteed
Bonds in accordance with such agreement shall be in full force and effect.
Except as provided below in this paragraph, there shall have been no adjourn-
ment pursuant to Section 1.4(c) of such agreement because of a refusal by the
Secretary to issue guarantees pursuant to the Agreement to Guarantee unless
the Secretary (i) shall have issued any guarantees pursuant to the Agreement
to Guarantee on or after the date of such refusal and on or before the Closing
Date or (ii) shall confirm as of the Closing Date that the reason for such refusal
has been cured. At least $75 million aggregate principal amount of such
Guaranteed Bonds shall be purchased by such pension funds in each of Fiscal
Year 1979 and Fiscal Year 1980 pursuant to the Guaranteed Bond Purchase
Agreement on or within 30 days before each of the initial Closing Dates
in Fiscal Year 1979 and Fiscal Year 1980, respectively; provided, however,
that in the case of any postponement pursuant to Section 1.6(d) of this Agree-
ment, a purchase of such Guaranteed Bonds at any time after the date 30 days before the original closing date and on or before the Closing Date shall satisfy this requirement. The conditions in this paragraph shall not apply on any Closing Date after Fiscal Year 1979 if and to the extent the Secretary shall have stated that he is unable to issue guarantees solely because he is unable to make the determination required by Section 103(2) of the Federal Guarantee Act.

(c) In the event the Secretary shall have issued guarantees pursuant to the Federal Guarantee Act of any securities issued by the Corporation, the Secretary shall have waived the priority of the United States established under Section 3466 of the Revised Statutes (31 U.S.C. 191) with respect to all the Bonds, as contemplated in Section 105(e) of the Federal Guarantee Act.

3.2. *Simultaneous Purchases.* (a) On the first Closing Date, the full aggregate principal amount of Bonds scheduled to be purchased by the Purchasers on such Closing Date, as contemplated by Section 1.6(a) and Schedule I hereto, shall be purchased simultaneously pursuant to this Agreement. On each subsequent Closing Date, at least 90% in aggregate principal amount of the Bonds scheduled to be purchased by the Purchasers on such Closing Date, as contemplated by Section 1.6 and Schedule I hereto, shall be purchased simultaneously pursuant to this Agreement or as contemplated by paragraph (b) of this Section. At least 94% in aggregate principal amount of the Bonds scheduled to have been purchased by the Purchasers prior to such Closing Date, as contemplated by Section 1.6 and Schedule I hereto (other than any Bonds not purchased solely as a result of Section 3.5(a)), shall have been purchased pursuant to this Agreement or as contemplated by paragraph (b) of this Section.

(b) For the purposes of determining whether the tests provided for in paragraph (a) of this Section have been fulfilled, in the event any Purchaser does not purchase Bonds scheduled pursuant to Section 1.6(e) or (d) to be purchased by it, the Corporation may sell such Bonds, or other Second Resolution Bonds with maturities and average lives no earlier or shorter, respectively, than such Bonds, in a direct placement or in the general public market for municipal securities; provided, however, that in respect of Bonds not purchased by a Financial Institution pursuant to this Agreement, no Bonds or other Second Resolution Bonds sold in a direct placement to a Pension Fund shall be considered to have been sold for purposes of paragraph (a) of this Section, and in respect of Bonds not purchased by a Pension Fund pursuant to this Agreement, no Bonds or other Second Resolution Bonds sold in a direct placement to a Financial Institution shall be considered to have
been sold for purposes of paragraph (a) of this Section; and provided further, that in any event (i) no sale of such Bonds shall relieve such defaulting Purchaser from any liability which results from such default, and (ii) no Bonds or such other Second Resolution Bonds so sold in the general public market for municipal securities shall be considered to have been sold for purposes of paragraph (a) of this Section unless the Corporation shall have previously sold in such market the full aggregate principal amount of bonds scheduled to have been so sold in the then current Fiscal Year through the month of such Closing Date as set forth in the schedule delivered pursuant to Section 3.3(a) as it may be amended consistent with the Financial Plan, which amendment shall have been delivered to the Purchasers at least 30 days prior to the failure of a Purchaser to purchase Bonds which resulted in such public sale.

3.3. Purchases Pursuant to Financial Plan. (a) The Purchasers shall have received a copy of the initial Financial Plan and all modifications thereof to the Closing Date covering the four Fiscal Years beginning with the then current Fiscal Year, accompanied by a schedule of anticipated borrowings by the Corporation and the City in the then current Fiscal Year. Such schedule shall be consistent with the Financial Plan and shall specify for each such borrowing the issuer of the securities, the aggregate principal amount and type of securities to be issued, the month of issuance, whether the securities will be issued pursuant to a public offering or a direct placement and, in the case of a direct placement, the type of investors. Each schedule shall set forth such information for each anticipated borrowing in reasonable detail comparable to the schedule of anticipated borrowings for Fiscal Year 1979 that accompanied the Financial Plan delivered to each of the Purchasers prior to the date hereof.

(b) The Purchasers shall have received a certificate of the Control Board dated as of such Closing Date and accompanied by a borrowing schedule covering each completed Fiscal Year after Fiscal Year 1978 and the then current Fiscal Year and setting forth, with respect to each actual borrowing up to the Closing Date and each anticipated borrowing thereafter, the information required to be set forth in a borrowing schedule pursuant to paragraph (a) of this Section. Such certificate shall set forth certifications to the effect that, in the judgment of the Control Board, (i) borrowings during each completed Fiscal Year after Fiscal Year 1978, as set forth on the attached borrowing schedule, are consistent with the projections of the City’s seasonal and long-term borrowing requirements for such Fiscal Year.
as reflected in the Financial Plan as in effect at the end of such Fiscal Year, (ii) actual and anticipated borrowings during the then current Fiscal Year, as set forth on the attached borrowing schedule, are consistent with the projections of the City’s seasonal and long-term borrowing requirements for such Fiscal Year as reflected in the Financial Plan then in effect, and (iii) actual and projected borrowings set forth on the attached schedule have been taken into consideration by the Control Board in determining that the cash flow projections included in the Financial Plan then in effect are based on reasonable and appropriate assumptions as to sources and uses of cash for the entire period covered by the Financial Plan.

3.4. Agreements and Legislation in Effect. (a) The Resolutions and the MAC Act, each as in effect on the date of this Agreement, shall be in full force and effect and, since the date of this Agreement, shall not have been amended or modified in any respect that is materially adverse to the interests of the Purchasers. This Agreement shall be in full force and effect, with such modifications, amendments and waivers as may have been made in accordance with the provisions of Section 5.11.

(b) All of the provisions of the FCB Act, as in effect on the date of this Agreement, the repeal of which would have any of the effects described in clause (a) or (b) of Section 2.9, and the State Covenant shall be in full force and effect and, since the date of this Agreement, shall not have been amended or modified in any respect that is materially adverse to the interests of the Purchasers; it being understood that to the extent amendments are specifically permitted by the Adherence Agreement they shall not be deemed to be materially adverse to the interests of the Purchasers. The Adherence Agreement shall be in full force and effect, with such modifications, amendments and waivers as may have been made in accordance with the provisions of Section 4.4 thereof.

(c) The Federal Guarantee Act, the Federal Appropriation Act, the Agreement to Guarantee, the Guaranteed Bond Purchase Agreement, the Pension Legislation and Section 10-a.4 of the FCB Act, each as in effect on the date of this Agreement, and Chapter 890 of the Laws of 1975 of the State as amended by Chapter 448 of the Laws of 1978 of the State and as further amended when and as contemplated by Section 3.20 ("Chapter 890"), shall be in full force and effect and, since the date of this Agreement, shall not have been amended or modified in any respect which materially adversely affects (i) the ability of the Secretary to issue guarantees pursuant to the Agreement to Guarantee, (ii) the ability of the City to satisfy the requirements of the
Agreement to Guarantee or the Guaranteed Bond Purchase Agreement or to issue Guaranteed Bonds, (iii) the ability of the City and State pension funds named in the Guaranteed Bond Purchase Agreement to purchase Guaranteed Bonds pursuant thereto or their qualified status under Section 401(a) of the Code or (iv) the ability of the Pension Funds to purchase Bonds pursuant to this Agreement or their qualified status under Section 401(a) of the Code. Neither the Senate nor the House of Representatives of the Congress of the United States shall have agreed to any resolution referred to in Section 104(a) of the Federal Guarantee Act stating in substance that it disapproves of any part of the guarantees to be provided under such Act.

3.5. No Adverse Decision. (a) No decision, ruling or finding shall have been entered by any court or Governmental Authority since the date of this Agreement (and not reversed on appeal or otherwise set aside) (i) which has any of the effects described in clauses (a) through (e) of Section 2.9, (ii) which declares this Agreement to be invalid or unenforceable in whole or in material part, (iii) which declares the Agreement to Guarantee, the Guaranteed Bond Purchase Agreement, the Federal Guarantee Act, the Federal Appropriation Act, Chapter 890, the Pension Legislation or Section 10-a.4 of the FCB Act to be invalid or unenforceable as an entirety, or which declares any provision thereof to be invalid or enforceable if the deletion of such provision by amendment would cause the requirements of Section 3.4 not to be satisfied, (iv) which declares Chapter 890, the Pension Legislation or Section 10-a.4 of the FCB Act to be inapplicable to this Agreement or any purchase contemplated hereby, or (v) to the effect that (A) any purchase or prospective purchase by such Purchaser of any Bonds pursuant to this Agreement or (B) the entry into this Agreement by such Purchaser, has violated or will violate any applicable fiduciary obligation of any trustee, director or officer under any law (whether statutory or otherwise); unless, solely with respect to the matters referred to in clauses (a), (b) and (c) of Section 2.9, (1) such decision, ruling or finding is stayed pending appeal, and (2) two of the firms of Hawkins, Delafield & Wood or Paul, Weiss, Rifkind, Wharton & Garrison or Rogers & Wells or other counsel acceptable to the Purchasers (which acceptance shall not be unreasonably withheld), shall deliver opinions, addressed and in form and substance satisfactory to the Purchasers and dated as of such Closing Date, to the effect, without qualification, that the decision, ruling or finding of the court or Governmental Authority having final jurisdiction in the matter will not have any of the effects described in such clauses.

(b) If any Purchaser shall not have purchased the total principal amount of Bonds which it is committed to purchase in any Fiscal Year after Fiscal
Year 1979 solely as a result of the conditions in paragraph (a) of this Section not being satisfied, and the relevant decision, ruling or finding is subsequently reversed on appeal or otherwise set aside after February 1 of the Fiscal Year in which such Bonds were not purchased and prior to December 1, 1981, then at the option of the Corporation (exercised as provided in the last sentence of this paragraph) the commitment of such Purchaser to purchase Bonds in Fiscal Years after such Bonds were not purchased (but no purchase shall be later than January 20, 1982) may be increased by the amount of Bonds not purchased by such Purchaser solely as a result of the conditions in paragraph (a) not being satisfied, to the following extent:

(i) such Purchaser’s commitment for Fiscal Year 1981 as set forth in Schedule I hereto shall not be increased by more than the result of multiplying such commitment by a fraction, the numerator of which is 200 and the denominator of which is 537, and its commitment for Fiscal Year 1982 as set forth in Schedule I hereto shall not be increased by more than the result of multiplying such commitment by a fraction, the numerator of which is 375 and the denominator of which is 325;

(ii) if any Purchaser’s commitment for a Fiscal Year is increased pursuant to this paragraph, all Purchasers whose commitments for such Fiscal Year may be increased pursuant to this paragraph shall have their respective commitments increased for such Fiscal Year in proportion to the respective principal amounts of Bonds previously not purchased by them solely as a result of the conditions in paragraph (a) of this Section not being satisfied;

(iii) the aggregate increase for all Purchasers in commitments to purchase pursuant to this paragraph shall not exceed $500 million for all Fiscal Years; and

(iv) in no event shall such Purchaser’s total commitments for Fiscal Years 1980, 1981 and 1982, after giving effect to all terminations of commitments pursuant to Section 1.6(f) solely as a result of the conditions of paragraph (a) not being satisfied and all increases of commitments pursuant to this paragraph, exceed its total commitments for such Fiscal Years as set forth in Schedule I hereto.

Such Purchaser’s commitment shall be increased within the limits provided above upon the satisfaction of the following conditions:

(1) such Purchaser shall have been given notice by the Corporation on or before the July 1 next succeeding the Fiscal Year in which
the Bonds were not purchased, that the conditions in paragraph (a) of this Section were not satisfied during all or any specified part of such Fiscal Year, specifying the principal amount of the Bonds not purchased by such Purchaser during such Fiscal Year solely by reason of such conditions not being satisfied; any such notice may be included in a schedule delivered pursuant to Section 1.6(b); and

(2) such Purchaser shall have been given notice by the Corporation within three months after the relevant decision, ruling or finding is reversed or otherwise set aside of the extent, if any, to which the commitments of such Purchaser (and each other Purchaser who did not purchase Bonds as aforesaid) for the then current and all subsequent Fiscal Years shall be increased in accordance with this paragraph (which annual increases in commitments may not thereafter be revised upward in respect of such reversal or otherwise setting aside).

(c) The State shall not either have successfully asserted or be asserting the defense of sovereign immunity in any proceeding brought in a court of competent jurisdiction by a holder of an obligation reciting the State Covenant, or by a trustee acting on behalf of such holder to enforce the State Covenant or by a Purchaser to enforce Section 3 of the Adherence Agreement or Section 4.4(f) of this Agreement.

3.6. No Material Adverse Changes in MAC's Affairs. (a) The prospects for payment of the principal of or premium, if any, or interest on the Bonds when due shall not have been materially adversely affected since the date of this Agreement by the existence of a lien, claim, charge or encumbrance (other than as described in the Official Statement delivered in connection with the execution of this Agreement) or by any legislative, executive or other action or inaction by any Governmental Authority, such as but not limited to a failure to appropriate Per Capita Aid, Sales Taxes or Stock Transfer Taxes, each as defined in the Second Bond Resolution, but in any case excluding the issuance by the Corporation of its bonds and notes as permitted by the Second Bond Resolution, the Resolutions, the First Bond Resolution and this Agreement.

(b) No Governmental Authority shall have taken or failed to take any legislative, executive or other action, and no formal declaration by the State Senate, Assembly or Governor or the Corporation shall have been made, so as to materially adversely affect the prospects that the State will make payments pursuant to Section 3036-a.3 of the MAC Act at the times and to the extent contemplated by such Section.
(c) No event or condition shall have occurred and be continuing which constitutes an event of default under the Second Bond Resolution, the First Bond Resolution or any other resolution pursuant to which the Corporation shall have issued bonds, notes or other evidences of indebtedness, or which, with the giving of notice or the passage of time or both, would constitute such an event of default.

(d) The Bonds to be purchased on the Closing Date shall have been rated within 10 days prior to such Closing Date no less than Baa by Moody's Investors Service, Inc. and BBB by Standard & Poor's Corporation (or other comparable investment grade designation which may hereafter be used generally by either such agency), who shall have each received from the Corporation a copy of the Official Statement relating to the sale of such Bonds including any amendments or supplements delivered after the initial delivery thereof to such agencies and on or before the Closing Date.

3.7. No Specified Adverse Changes in City's Affairs. (a) The City shall have delivered to the Purchasers its audited financial statements, which include a Statement of Operations, for each Fiscal Year (beginning with Fiscal Year 1978) preceding that in which the Closing Date occurs and such financial statements shall not show for any such Fiscal Year a Deficit in excess of 2% of Total Revenues; provided, however, that such financial statements shall not be required for the Fiscal Year immediately preceding any Closing Date which is within four months after the end of such Fiscal Year but prior to the issuance of audited financial statements for such Fiscal Year so long as the following conditions are satisfied: (i) the certificate of the First Deputy Comptroller and the Director of Management and Budget of the City delivered pursuant to Section 3.10 shall state that nothing has come to their attention that would cause them to believe that there was a Deficit for such Fiscal Year in excess of 2% of Total Revenues and (ii) such certificate and the certificate of the Control Board delivered pursuant to Section 3.10 shall state that the Financial Plan in effect at the end of such Fiscal Year did not project a Deficit for such Fiscal Year in excess of 2% of Total Revenues.

(b) Neither the certificate of the First Deputy Comptroller and the Director of Management and Budget of the City nor the certificate of the Control Board, delivered pursuant to Section 3.10, shall project (i) that there will be a Deficit for the then current Fiscal Year in excess of 2% of Total Revenues or (ii) that the City's total seasonal borrowing needs for the then current Fiscal Year will be in excess of 9% of Total Revenues for such Fiscal Year.
plus an amount, up to 1% of Total Revenues, which the Control Board determines is equal to the amount of Displaced Revenues for such Fiscal Year.

(c) For purposes of this Agreement the following terms shall have the following definitions: “Total Revenues” for any Fiscal Year shall mean all revenues required, by generally accepted accounting principles as modified or adjusted by the Control Board pursuant to Section 8.2-a of the FCB Act, to be reported by the City on an accounting basis in its Statement of Operations for such Fiscal Year, plus (i) transfers from the capital budget to fund expense items, but not in excess of the amount set forth in the Financial Plan for such Fiscal Year, and (ii) transfers, pursuant to inter-fund agreements, to fund items in the expense budget which have been determined, in accordance with generally accepted accounting principles, to be capital items, but not in excess of the amount set forth in the Financial Plan for such Fiscal Year; “Total Expenditures” for any Fiscal Year shall mean all expenditures, encumbrances and transfers and other payments to debt service funds required, by generally accepted accounting principles as modified or adjusted by the Control Board pursuant to Section 8.2-a of the FCB Act, to be reported by the City on an accounting basis in its Statement of Operations for such Fiscal Year, provided that (i) pension costs shall be accounted for on a cash, rather than accrual, basis, but only to the extent set forth in the Financial Plan for such Fiscal Year, and (ii) said expenditures, encumbrances and transfers shall include any capital item included in the expense budget and funded by transfers pursuant to inter-fund agreements, but only to the extent such transfers are included in Total Revenues for such Fiscal Year; “Deficit” for any Fiscal Year shall mean the excess of Total Expenditures over Total Revenues; “Displaced Revenues” for any Fiscal Year after Fiscal Year 1978 shall mean any revenue items which, together with offsetting expenditures in an equal amount, were required by generally accepted accounting principles to be reported by the City on an accounting basis in its Statement of Operations for Fiscal Year 1978 but, as a result of changes in funding arrangements or for comparable reasons, are not required to be reported in the Statement of Operations for such subsequent Fiscal Year; and “Statement of Operations” shall mean for each Fiscal Year the City’s General Fund Statement of Revenues, Expenditures, Encumbrances and Transfers.

3.8. No Default of Corporation, City, State or Certain Agencies; No Bankruptcy, etc. (a) No default by the Corporation, the City or the State shall have occurred and be continuing (i) in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued, assumed or guaranteed by the Corporation, the City or the
State, (ii) in the payment of any amounts payable under any lease, mortgage or conditional sale arrangement securing, with the consent of the Corporation, the City or the State, as the case may be, the payment of any indebtedness of a public benefit corporation or other governmental agency, instrumentality or body for borrowed money (except to the extent that the obligation to make such payment is being disputed in good faith and, if appropriate, contested in proceedings diligently conducted and there is no default in the payment of the principal of or interest on the secured indebtedness), (iii) in the performance or observance of any covenant or condition in the Adherence Agreement or the State Covenant or (iv) in the performance or observance of any covenant or agreement in the Agreement to Guarantee or the Guaranteed Bond Purchase Agreement. For all purposes of this Agreement a default shall not be deemed to be continuing if it has been cured, waived or otherwise remedied.

(b) No default shall have occurred and be continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness constituting a general obligation of an agency, instrumentality or public benefit corporation of the City or the State as to which statutory provision has been made whereby the City or the State may appropriate funds to be paid into a capital reserve or similar fund in order to provide moneys for the payment of any bond, note or other evidence of indebtedness of such agency, instrumentality or public benefit corporation (whether or not the securities which have the benefit of such provision are outstanding or are the securities as to which a default has occurred).

(c) No bankruptcy, insolvency or other similar proceedings in respect of the Corporation, the City, the State or any agency, instrumentality or public benefit corporation of the City or the State described in paragraph (b) of this Section shall be pending or to the knowledge of the Corporation (no independent investigation having been made) contemplated. There shall not have been enacted since the date of this Agreement any moratorium or similar legislation with respect to any obligation described in paragraph (a) or (b) of this Section and, to the knowledge of the Corporation (no independent investigation having been made) no such legislation shall be contemplated.

3.9. Amendment or Supplement of Official Statement. The Purchasers shall have received from the Corporation promptly, and in any event on or before such Closing Date, such amendment or supplement, if any, to the Official Statement delivered pursuant to Section 2.2 with respect to such Closing Date, as may be necessary in order that as of the Closing Date the
Official Statement, as amended and supplemented, not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.10. Certificates. The Purchasers shall have received certificates, dated the Closing Date, of each of the following officials or any deputy acceptable to the Purchasers: (a) the Chairman or Executive Director of the Corporation substantially in the form attached hereto as Exhibit C, (b) the Executive Director of the Control Board substantially in the form attached hereto as Exhibit D-1 or D-2, as the case may be, (c) the State Comptroller substantially in the form attached hereto as Exhibit E and (d) the First Deputy Comptroller and the Director of Management and Budget of the City substantially in the form attached hereto as Exhibit F.

3.11. Instruments Delivered under Second Bond Resolution. The Purchasers shall have received copies of the opinions, certificates and other instruments being delivered to the Trustee pursuant to Section 202 of the Second Bond Resolution in connection with the delivery of the Bonds being purchased. To the extent the certificate delivered pursuant to Section 202.3(1) of the Second Bond Resolution refers to collections of and expected revenues from taxes other than Sales Taxes and Stock Transfer Taxes, the amounts of such other taxes shall be separately identified in such certificate and the certificate delivered pursuant to Section 202.3(4) of the Second Bond Resolution. The debt service coverage requirements for the issuance of the Bonds in Section 202.3(4) of the Second Bond Resolution and Section 401(2) of the Series Resolutions shall be satisfied without giving any effect to any such other taxes.

3.12. Opinions. The Purchasers shall have received opinions, dated the Closing Date and addressed to the Purchasers (except that the opinion of the State Attorney General may be addressed to the Chairman of the Corporation and the opinion of Davis Polk & Wardwell will be addressed and delivered only to the Financial Institutions) of the following counsel or other counsel acceptable to the Purchasers (which acceptance shall not be unreasonably withheld): (a) Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, substantially in the form attached hereto as Exhibit G, (b) Hawkins, Delafield & Wood, Bond Counsel for the Corporation, substantially in the form attached hereto as Exhibit H-1, H-2 and H-3, (c) the State Attorney General substantially in the form attached hereto as Exhibit I-1
and 1-2. (d) the City Corporation Counsel substantially in the form attached hereto as Exhibit J, (e) Rogers & Wells, Bond Counsel for the City, substantially in the form attached hereto as Exhibit K and (f) Davis Polk & Wardwell, special counsel for the Financial Institutions, substantially in the form attached hereto as Exhibit L, in each case with such changes, and with such annexed opinions (not otherwise delivered) of other counsel referred to therein, if any, as the Purchasers purchasing Bonds on such Closing Date shall approve, provided that each of the foregoing opinions shall include favorable opinions as to such additional matters as any such Purchaser may reasonably request.

3.13. Arbitrage Certificate and Opinion. The Purchasers shall have received (a) a certificate, satisfactory in form to special counsel for the Financial Institutions, of an appropriate officer of the Corporation satisfactory to such counsel, dated the Closing Date, setting forth sufficient facts, estimates and circumstances to support the conclusion that on the date of issue it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Code, and stating that to the best of the knowledge and belief of the certifying officer such facts, estimates and circumstances are reasonable; and (b) an opinion satisfactory in form to special counsel for the Financial Institutions, dated the Closing Date and addressed to the Corporation and the Purchasers, of Hawkins, Delafield & Wood, to the effect that, based upon their examination of law and review of the certification by the Corporation provided for above, they are of the opinion that the facts, estimates and circumstances are sufficiently set forth in such certificate to satisfy the criteria which are necessary under Section 103(c) of the Code and proposed Regulations Section 1.103-13, 1.103-14 and 1.103-15 to support the conclusion that the Bonds will not be arbitrage bonds, and that no matters have come to their attention which make unreasonable or incorrect the representations made in such certificate; or such other certificates and opinions as may be required or deemed advisable by the Purchasers by reason of any amendments to the Code or the applicable regulations promulgated or proposed thereunder.

3.14. State Comptroller Approval. (a) With respect to the first Closing Date only, the State Comptroller shall have approved in writing the sale of the Bonds during Fiscal Years 1979 through 1982 pursuant to the provisions of this Agreement and the terms of the Bonds (including without limitation, the formula for determining interest rates set forth in Schedule III hereto) as provided in this Agreement and in the Resolutions.
(b) With respect to each Closing Date, the State Comptroller shall have approved in writing (pursuant to the approval described in (a) above or otherwise) the sale of the Bonds on such Closing Date and the terms of such Bonds as provided in this Agreement and in the Resolutions.

3.15. Tax Exemption. With respect to any purchase to be made by a Financial Institution, the exclusion from gross income for Federal income tax purposes of interest on the Bonds shall not be threatened by reason of the fact that between the date of this Agreement and the Closing Date:

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

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

(c) an order, ruling or regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service and published in the Federal Register, with the purpose or effect, directly or indirectly, of imposing Federal income taxation (including without limitation, the minimum tax on tax preference items under Sections 56-58 of the Code) upon such interest as would be received by the holders of the Bonds.

3.16. Legal Investment. No Purchaser shall be required to purchase Bonds on any Closing Date if the Bonds do not qualify as a legal investment for such Purchaser under all laws and regulations applicable to it (without resort, in the case of a Financial Institution, to any basket or leeway provisions permitting portions of its assets to be invested in securities not otherwise eligible for investment, such as § 81-17 of the State Insurance Law and § 235-29 of the State Banking Law).

3.17. Contributions to Pension Funds. If such Purchaser is a Pension Fund, all contributions and other payments required by law to be made by the City (or any agency of whose funds the City Comptroller is custodian) to such Pension Fund shall have been made for each month (after November 1978) of the then current Fiscal Year at substantially the same time and in substantially
the same manner as such contributions and payments were made in the corresponding month of Fiscal Year 1977. In no event shall a payment be deemed not to meet the requirements of this Section if it is made on or before the last day of such month.

3.18. No Prohibited Transactions, etc. If such Purchaser is a Pension Fund, the purchase of Bonds scheduled to be purchased by it on such Closing Date shall not cause such Pension Fund to be considered to fail to satisfy the requirements of Section 401(a) of the Code or to have engaged in a prohibited transaction described in Section 503(b) of the Code. Unless the Internal Revenue Service shall have determined that a Pension Fund has engaged in a prohibited transaction in connection with the purchase of obligations of the Corporation or the City made since August 20, 1975 or the Secretary or his delegate shall have given notification pursuant to Section 3(a) of the Pension Legislation, this condition shall be deemed to be satisfied on the Closing Date if the following requirements are met:

(a) prior to the execution of this Agreement, or of any modification, amendment or waiver of the provisions hereof or of the Adherence Agreement, as contemplated by Section 1(c) of the Pension Legislation, each Pension Fund shall have notified the Secretary of the proposed Agreement, or such modification, amendment or waiver, as the case may be, and within 60 days after the date of submission of such Agreement, modification, amendment or waiver or such shorter period as the Secretary shall have established, the Secretary shall have advised each Pension Fund in writing that he does not disapprove such Agreement, modification, amendment or waiver, as the case may be;

(b) on or before the Closing Date, the Secretary shall have made the determinations contemplated by Sections 2(c) and 2(f) of the Pension Legislation and shall have notified each Pension Fund in writing that he has made such determinations;

(c) on the Closing Date, the requirement with respect to the percentage limitations set forth in Section 2(a) of the Pension Legislation (as adjusted below) shall have been met; for purposes of this paragraph (c) the applicable percentage limitations set forth in Section 2(a) of the Pension Legislation shall each be reduced by three-quarters of one percent;

(d) on the Closing Date, the requirement with respect to the absence of negative cash flow set forth in Section 2(d) of the Pension
Legislation (as adjusted below) shall have been met; for purposes of this paragraph the negative cash flow shall be deemed absent if cash receipts shall exceed cash expenditures, both as determined in accordance with the applicable provisions of the Pension Legislation, by at least three-quarters of one percent; and

(e) the report contemplated by Section 2(e) of the Pension Legislation to be submitted by such Pension Fund shall have been submitted to the Secretary and the appropriate committees of the Congress.

Anything herein to the contrary notwithstanding, the Secretary need not have made any determination contemplated by Section 2(c) of the Pension Legislation and the report contemplated by Section 2(e) of the Pension Legislation need not have been submitted on or prior to any Closing Date if the Pension Legislation does not provide that such requirement need be met as of such Closing Date.

3.19. Qualified Status. If such Purchaser is a Pension Fund, (a) the Internal Revenue Service shall not have withdrawn its favorable determination with respect to the qualified status of such Pension Fund under Section 401(a) of the Code, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the Corporation or the City made since August 20, 1975 or the entry by the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof or of the Adherence Agreement, (b) there shall not be any action, suit or proceeding before any court or Government Authority brought by the Federal Government, or any agency or department thereof with jurisdiction, pending with respect to such Pension Fund, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the Corporation or the City made since August 20, 1975 or the entry by the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof or of the Adherence Agreement, wherein an unfavorable decision would result in the loss of the qualified status of such Pension Fund under Section 401(a) of the Code, or (c) legislation shall not have been enacted by the Congress, or shall not then be recommended to the Congress for passage by the President of the United States, or an order, rule or regulation (final, temporary or proposed) shall not have been made by any Governmental Authority, with the purpose or effect, directly or indirectly, of causing such Pension Fund to lose its qualified status under Section 401(a) of the Code, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the
Corporation or the City made since August 20, 1975 or the entry by the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof or of the Adherence Agreement.

3.20. **Legislative Amendments.** If such Purchaser is a Pension Fund, prior to any Closing Date occurring on and after January 1, 1979, Chapter 890 of the Laws of 1975 of the State as amended by Chapter 448 of the Laws of 1978 of the State and Section B3-21.0, B18-27.0, B19-7.68 and B20-30.0 of the Administrative Code of the City and subdivision 16 of Section 2575 of the State Education Law shall have been duly amended to read substantially and in all material respects as provided in Schedule V hereto.

3.21. **Additional Certificates, etc.** The Purchasers shall have received additional certificates, instruments and other documents as the Purchasers or special counsel for the Financial Institutions may reasonably request to evidence the due performance and satisfaction at or prior to such Closing Date of all agreements to be performed and all conditions then to be satisfied in connection with the transactions contemplated hereby or by the Official Statement.

**SECTION 4. Covenants of the Corporation.** The Corporation hereby covenants and agrees with each of the Purchasers that, during the term of this Agreement:

4.1. **Annual and Quarterly Reports.** It will deliver to each of the Purchasers and make publicly available (a) promptly when available, but in any event within 120 days after the close of the Corporation's fiscal year, an Annual Report to bondholders containing no less than (i) a statement of the Corporation's financial position as of the close of such fiscal year and the related debt service fund, capital reserve fund and operating fund statements of transactions during such year, prepared in accordance with generally accepted accounting principles and certified by nationally recognized independent public accountants, (ii) a statement of (A) collections by the State during the preceding year of Sales Taxes paid into the Special Tax Account and Stock Transfer Taxes paid into the Stock Transfer Tax Fund and (B) amounts appropriated and apportioned as Per Capita Aid and deposited in the Special Aid Account, with itemized deductions of amounts paid to satisfy prior statutory claims to such amounts and (iii) other information concerning (A) collections, appropriations and apportionments by the State of Sales Taxes, Stock Transfer Taxes and Per Capita Aid and payments of said Taxes and Aid
from the State to the Corporation, (B) changes in the Corporation's debt structure, including redemptions, calls and defaults, if any, (C) changes in the Corporation's capital reserve funds and debt service funds, (D) legislative, executive and administrative actions and proposals known to the Corporation that materially affect the Corporation or the Bonds, (E) any action, suit, proceeding or investigation before or by any court or Governmental Authority pending against the Corporation or, to the knowledge of the Corporation, any other person wherein an unfavorable decision, ruling or finding would adversely affect provisions or materially adversely affect sources for payment of the Bonds or which questions the validity or enforceability of the Resolutions, the MAC Act or the Bonds and (F) changes in the Corporation's management and (b) promptly when available, but in any event within 60 days after the close of each of the first three quarters of the Corporation's fiscal year, for each quarter commencing with the second quarter of Fiscal Year 1979, a Quarterly Report to bondholders containing no less than (i) a statement of the Corporation's financial position as of the close of such quarter and the related debt service fund, capital reserve fund and operating fund statements of transactions during such quarter, together with a certificate of the Treasurer or chief financial officer of the Corporation stating that such statements are prepared in accordance with accounting principles consistent with the most recent annual financial statements delivered pursuant to (a) above except as otherwise noted in such Quarterly Report, (ii) a statement of collections during the previous quarter of Sales Taxes and Stock Transfer Taxes paid into the Special Tax Account and Stock Transfer Tax Fund, respectively, and (iii) a statement of any material changes in the information referred to in clause (a) (iii) above.

4.2. Other Information. (a) It will make each Official Statement, including each amendment and supplement thereto (or a substantially comparable official statement issued by the Corporation in connection with a concurrent public offering), publicly available and will provide for a sufficient number of copies thereof to be printed or otherwise duplicated for such purpose. Any such official statement and each such amendment and supplement shall bear an appropriate legend, which legend will include a statement to the effect that such document was prepared in connection with the particular transaction for which it was issued, that information contained therein may be out of date and that the Corporation has no obligation to keep such document up to date.

(b) It will promptly make publicly available and provide any Purchaser with such financial or other information as such Purchaser shall reasonably request in order to evaluate the credit of the Corporation and its compliance with this Agreement, the Resolutions and the MAC Act.
4.3. **Limitations on Indebtedness.** (a) The aggregate principal amount of the Corporation's bonds, notes and other evidences of indebtedness outstanding at any time under the First Bond Resolution and the Second Bond Resolution shall not exceed $8.8 billion. The Corporation shall not issue any bonds otherwise than under the First or Second Bond Resolution unless (i) the proceeds of such bonds are used to purchase bonds of the City in the same aggregate principal amount, with comparable interest rates, and such bonds of the City mature serially on dates not more than one year before the maturity or earlier mandatory redemption dates of comparable principal amounts of such bonds of the Corporation, (ii) at the time of issuance such bonds of the City are rated no less than Baa by Moody's Investors Service, Inc. or BBB by Standard & Poor's Corporation (or other comparable investment grade designation which may hereafter be used generally by either such agency) and (iii) the results of operations under the City's audited Statement of Operations, for the most recently completed Fiscal Year (or the prior Fiscal Year, if such issuance of bonds is within the first four months of a Fiscal Year), prepared in accordance with generally accepted accounting principles show total revenues to have been equal to or greater than total expenditures; the Corporation agrees to hold any such City bond to its maturity or earlier redemption.

(b) The Corporation shall not after the date hereof issue any short-term notes unless (i) they are payable only from revenues otherwise payable to the City after payment in full of all debt service and capital reserve fund requirements under the First Bond Resolution and the Second Bond Resolution, (ii) the Corporation receives certificates in the form contemplated by paragraphs (1), (2) and (3) of Section 202.3 of the Second Bond Resolution as in effect on the date of this Agreement, and (iii) the amounts described in paragraphs (1) and (2) of such Section, after deducting the amounts described in paragraphs (3)(a) and (3)(c) of such Section, will be at least two times the aggregate amount described in paragraph (3)(b) of such Section for each Fiscal Year set forth pursuant to such paragraph, including for this purpose the amount of principal of and interest on all of the Corporation's short-term notes payable during such Fiscal Year. In the event the Corporation issues any short-term notes, then for so long as such short-term notes are outstanding it will not issue any bonds under the First Bond Resolution unless it receives certificates in the forms described in Section 202.3 of the Second Bond Resolution and it will not issue any bonds under the First or Second Bond Resolution unless the amounts described in paragraphs (1) and (2) of Section 202.3 of the Second Bond Resolution, as set forth in the certificate described therein and delivered in connection with such issuance, after deducting the amounts described in paragraphs 3(a) and
(3)(c) of such Section, as set forth in the certificate described therein and delivered in connection with such issuance, will be at least two times the aggregate amount described in paragraph (3)(b) of such Section for each Fiscal Year, as set forth in the certificate described therein and delivered in connection with such issuance, including in such aggregate amount described in paragraph (3)(b) the amount of principal of and interest on all of the Corporation's short-term notes payable during such Fiscal Year. No short-term notes of the Corporation shall be renewed or refunded by the issuance of other short-term notes of the Corporation.

4.4. Provisions with respect to the State Covenant. (a) The Corporation shall not make payments to the City for any item which is permitted by law to be included in the City's capital budget, other than expense items permitted to be included in the capital budget of the City pursuant to the FCB Act, unless the amount paid to the City to enable the City to pay for any such item shall be evidenced by City bonds in an equal principal amount. On or before March 31, 1979, to the extent permitted by law, the Corporation shall exchange for an equal principal amount of City bonds at least $20 million aggregate principal amount of City bond anticipation notes held by it on the date of this Agreement. At any time when the City shall be authorized by law to include in its bonds or notes the State Covenant, each bond or note of the City acquired by the Corporation which matures on or before July 1, 2002 shall include the State Covenant. At the time of any such acquisition the Corporation shall obtain from the City an agreement (to the extent the City shall at the time be authorized by law to enter into such an agreement) containing provisions for the benefit of the Corporation comparable to those in the Adherence Agreement. Any such agreement shall include the pledge and agreement of the State (the "State Pledge and Agreement") authorized by Section 10-a.3 of the FCB Act and shall be coterminous with the Adherence Agreement.

(b) The Corporation shall at all times after March 31, 1979 and until July 1, 2002 hold at least $1 million aggregate principal amount of bonds of the City which include the State Covenant.

(c) After December 31, 1981 (i) if (A) Financial Institutions or their affiliates that own for their own account (directly or through their nominees) Bonds in an aggregate principal amount at least equal to the greater of 25% of the aggregate principal amount of Bonds then owned by the Financial Institutions and their affiliates (directly or through their nominees) for their own account or 10% of the aggregate principal amount of Bonds purchased by the Financial Institutions, or (B) Pension Funds that own (directly
or through their nominees) Bonds in an aggregate principal amount at least
equal to the greater of 25% of the aggregate principal amount of Bonds then
owned by the Pension Funds (directly or through their nominees) or 10%
of the aggregate principal amount of Bonds purchased by the Pension Funds,
give notice to the Corporation (which notice shall specify that it is given
pursuant to this paragraph) that (1) the State has taken an action (the
"State Action"), which such Financial Institutions or Pension Funds, as the
case may be, have determined in good faith is an action which is described
in the State Covenant as an action which the State will not take, or (2) there
has been a decision, ruling or finding by any court of competent jurisdiction
(the "Court Action") that Section 9-a or 9-b of the FCB Act as it may be
amended in accordance with the Adherence Agreement, or any provision
of the FCB Act which such Purchasers determine in good faith is protected
by the State Covenant (insofar as a repeal of such provision would violate
the State Covenant), is invalid and such Purchasers determine in good faith
that such invalidity can be cured, consistent with the general framework
of the FCB Act, by one or more means described in such notice, then, (ii)
unless two of the firms of Hawkins, Delafield & Wood or Paul, Weiss, Rifkind,
Wharton & Garrison or Rogers & Wells or other counsel reasonably acceptable
to the Purchasers shall deliver opinions, addressed to and in form and sub-
stance satisfactory to the Purchasers, to the effect, without qualification, (A)
in the case of State Action, that such action is not an action which is described
in the State Covenant as an action which the State will not take, or that such
action is not prohibited by the State Covenant by reason of its being a valid
exercise of the State's reserved police power, or (B) in the case of Court
Action, that the provisions so declared invalid are not protected by the State
Covenant or that such invalidity cannot be cured, consistent with the general
framework of the FCB Act, by action, whether legislative, executive or admin-
istrative, by one or more of the State, the City or the Control Board, then,
in any such case, (iii) the Corporation shall promptly give public notice to
the Governor, the Legislature, the State Comptroller, the Mayor, the Board
of Estimate, the City Council, and the City Comptroller that such notice from
the Purchasers has been given and shall promptly and diligently proceed to
protect and enforce its rights under the State Covenant included in any City
bonds or notes then held by it, the agreement of the City referred to in para-
graph (a) of this Section, the State Pledge and Agreement or otherwise, in
each case by promptly and diligently bringing such suits, actions or proceed-
ings at law or in equity, or taking such other actions, as the Corporation,
being advised by counsel, shall deem most effectual to protect and enforce
such rights.
(d) Beginning six months after the date of notice from the Purchasers referred to in paragraph (c) of this Section, the Corporation shall not issue bonds, notes or other evidences of indebtedness (other than to refund bonds, notes or other evidences of indebtedness of the Corporation then outstanding, whether prior to or at maturity and, to the extent provided below, to fund its capital reserve fund requirements) unless at the time of such issuance (i) the Purchasers shall have received the appropriate opinions described in paragraph (c) of this Section, or (ii) in the case of State Action, (A) there shall have been a decision, ruling or finding by a court of competent jurisdiction (which has not been reversed on appeal or otherwise set aside) that such State Action is invalid or that such State Action does not constitute an action which is described in the State Covenant as an action the State will not take or that such State Action is not prohibited by the State Covenant by reason of its being a valid exercise of the State’s reserved police power or (B) the State takes action which has the effect of nullifying such State Action, or (iii) in the case of Court Action, (A) such Court Action shall have been reversed on appeal or otherwise set aside, (B) there shall have been a decision, ruling or finding by a court of competent jurisdiction (which has not been reversed on appeal or otherwise set aside) that the provision invalidated by such Court Action is not protected by the State Covenant or (C) the invalidity determined in such Court Action shall have been cured. The foregoing provisions of this paragraph shall not prohibit the Corporation from issuing bonds to fund its capital reserve fund requirements so long as there shall not have been any payments or other withdrawals from the Corporation’s capital reserve funds during the five years before the issuance of such bonds. If the Corporation issues any bonds in reliance on the preceding sentence it shall not make any payments or other withdrawals (other than withdrawals for deposit into any of the Corporation’s debt service funds required to meet debt service fund requirements) from any of its capital reserve funds at any time during the five years after the issuance of such bonds unless, after giving effect to such payment or withdrawal, the balance in such capital reserve fund would be at least equal to the largest amount required to be maintained therein during the five year period after such issuance based upon actual debt service requirements for bonds, notes or other evidences of indebtedness outstanding at the time of such payment or withdrawal.

(e) If (i) Financial Institutions or their affiliates that own for their own account (directly or through their nominees) Bonds in an aggregate principal amount at least equal to the greater of 25% of the aggregate principal
amount of Bonds then owned by the Financial Institutions and their affiliates (directly or through their nominees) for their own account or 10% of the aggregate principal amount of Bonds purchased or committed to be purchased thereafter under this Agreement by the Financial Institutions, or (ii) Pension Funds that own (directly or through their nominees) Bonds in an aggregate principal amount at least equal to the greater of 25% of the aggregate principal amount of Bonds then owned by the Pension Funds (directly or through their nominees) or 10% of the aggregate principal amount of Bonds purchased or committed to be purchased thereafter under this Agreement by the Pension Funds, give notice to the Corporation (which notice shall specify that it is given pursuant to this paragraph) that there has been a State Action or Court Action and, in the case of any such Court Action, such Purchasers determine in good faith that such invalidity can be cured, consistent with the general framework of the FCB Act, by one or more means described in such notice, then, unless the Purchasers receive the appropriate opinions of counsel described in paragraph (c)(ii) of this Section, the Corporation shall promptly and diligently proceed to protect and enforce its rights under the State Covenant included in any City bonds or notes then held by it, the agreement of the City referred to in paragraph (a) of this Section and the State Pledge and Agreement, the rights of the Bondholders and the Trustee under the State Covenant included in the Series Resolutions, the rights of the Bondholders under the State Covenant included in the Bonds and the rights of the Purchasers under the State Covenant included in this Agreement, in each case by bringing such suits, actions or proceedings at law or in equity (including without limitation, actions as amicus curiae and joining in any suits, actions or proceedings by the Trustee, Bondholders or Purchasers) or taking such other actions, as such Purchasers shall direct by an instrument or concurrent instruments in writing executed and delivered to the Corporation; provided, however, that such direction shall not be otherwise than in accordance with law. In the case of inconsistent directions the Corporation shall follow the directions of the Purchasers or their affiliates owning (directly or through their nominees) or committed to purchase thereafter under this Agreement the larger aggregate principal amount of Bonds. In the absence of directions the Corporation shall take such actions as it, being advised by counsel, shall deem most effectual to protect and enforce such rights.

(f) In accordance with the provisions of Section 10-a of the FCB Act, as amended to the date hereof, the Corporation hereby includes in this Agreement the pledge and agreement of the State that the State will not take any action which will (i) substantially impair the authority of the Control Board
during a control period (as defined in Section 2.12 of the FCB Act as in effect on the date the Bonds are first issued) (A) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of Section 8.1 of the FCB Act as in effect on the date the Bonds are first issued and paragraph b of such Section 8.1 as in effect from time to time, (B) to disapprove a contract of the City or a covered organization (as defined in the FCB Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove a proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in Section 7.4 of the FCB Act or (C) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the FCB Act) of City revenues; (ii) substantially impair the authority of the Control Board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (iii) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (iv) alter the composition of the Control Board so that the majority of the voting members of the Control Board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (v) terminate the existence of the Control Board prior to the time to be determined in accordance with Section 13 of the FCB Act as in effect on the date the Bonds are first issued; (vi) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the Control Board; or (vii) alter the definition of a control period set forth in Section 2.12 of the FCB Act, as in effect on the date the Bonds are first issued, or substantially alter the authority of the Control Board as set forth in said Section 2.12 to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to the Purchasers if at any time (1) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (2) such
Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged.

4.5. **Home Office Payment.** If so requested by any Purchaser the Corporation will cause the Trustee under the Second Bond Resolution to pay to such Purchaser, by check mailed first class to such Purchaser or its nominee at its address shown on the books of the Corporation or, at the option of such Purchaser, by wire transfer in accordance with any unrevoked instructions to the Corporation from such Purchaser, all amounts payable in respect of interest on the Bonds registered as to both principal and interest in the name of such Purchaser or its affiliate or nominee without any presentation or surrender of the Bonds or any notation on the Bonds of such payment being required. All payments of interest on the Bonds shall, if made by check, be made in New York Clearing House funds.

**SECTION 5. Miscellaneous.**

5.1. **Notices.** All communications hereunder, if sent to the Corporation, shall be addressed to its Executive Director, Room 4540, Two World Trade Center, New York, New York 10047, with a copy to Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, New York, New York 10022, or at such other address or to such other firm as the Corporation shall hereafter advise each of the Purchasers in writing; and if sent to any Purchaser, shall be addressed as provided in Schedule I hereto, with a copy to Davis Polk & Wardwell, 1 Chase Manhattan Plaza, New York, New York 10005, or at such other address or to such other firm as such Purchaser shall hereafter advise the Corporation in writing. Any such notice shall be deemed to have been given when delivered or received by mail, or when both telephoned, telexed, telegraphed, telexed and confirmed in writing by being mailed postage prepaid.

5.2. **Expenses.** Whether or not any of the transactions hereunder is consummated, the Corporation shall pay all of its costs and expenses in connection with the preparation, authorization, execution, delivery and performance of this Agreement, the Bonds, the Resolutions, the Official Statement, the Adherence Agreement and any amendments or supplements to any of the foregoing, and in connection with the closings hereunder, including without limitation, printing costs, the fees and disbursements of its bond counsel and of its General Counsel, rating agency fees and fees of the Municipal Securities Rulemaking Board. The Corporation shall also pay the fees and disburse-
ments of special counsel for the Financial Institutions in connection with the foregoing and the expenses incurred by each Pension Fund in providing its members, participants and beneficiaries with information in connection with the foregoing.

5.3. Parties in Interest. This Agreement shall be binding upon, and inure solely to the benefit of, the Purchasers (and any of their affiliates owning Bonds) and the Corporation and their respective successors, and no other person, partnership, association, corporation or governmental entity shall have or acquire any right under or by virtue of this Agreement; provided, however, that the parties hereto acknowledge that they are subject to the enforcement provisions of Section 105(f) of the Federal Guarantee Act; and provided further, that the second sentence of Section 2.12 shall also inure to the benefit of the Trustees under the First and Second Bond Resolution and the holders of all bonds issued thereunder. No purchaser of Bonds from any Purchaser shall be deemed to be a successor merely by reason of such purchase.

5.4. Certain Provisions Executory. Any provisions of Article 10 of the State Public Authorities Law or in this Agreement which relate to taxes imposed under Article 12 or Section 1107 or 1108 of Article 28 of the State Tax Law or the apportionment and payment of Per Capita Aid under Section 54 of the State Finance Law or to the funds created by Sections 92-b, 92-d and 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 the moneys available in such funds.

5.5. Representations and Agreements to Survive Delivery. All representations and warranties of the Corporation hereunder or pursuant hereto shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Purchasers, and shall survive delivery of the Bonds to the Purchasers.

5.6. Representations of Purchasers. Each of the Purchasers represents and warrants to the Corporation that this Agreement has been duly executed and delivered by such Purchaser and constitutes a valid and legally binding obligation of such Purchaser.

5.7. Resale Restrictions. (a) To the extent permitted by law, each Purchaser agrees that, if any Closing Date is on or within 30 calendar days after,
or (if the Corporation shall have given notice to such Purchaser on such Closing Date of its intention to make a public offering) 40 calendar days before, the date of execution of any purchase agreement relating to bonds being issued by the Corporation and offered to the public, it will not sell, offer to sell or otherwise dispose of the Bonds purchased on such Closing Date for 40 calendar days after such Closing Date (or 60 calendar days in the case of the first Closing Date), or such shorter period as the Corporation and the successful bidders or purchasers in such public offering may agree; provided, however, that this Section shall not preclude a bona fide pledge or deposit of Bonds by any holder thereof or any sale or other disposition of Bonds to any affiliate of such Purchaser who agrees not to make any sale, offer to sell or other disposition of such Bonds which could not be made by such Purchaser pursuant to this Section.

(b) No Purchaser shall sell any Bonds in a direct placement to the Corporation or to the Trustee under the Second Bond Resolution acting in its capacity as Trustee.

5.8. Independent Investment Decisions. Each Purchaser has made and will make its own independent investment decision concerning its commitments hereunder, without relying upon any other Purchaser with respect thereto or with respect to the Official Statement or the provisions of the Resolutions, this Agreement or the agreements, instruments, legislation or other matters referred to herein.

5.9. Pension Fund Covenant. Each of the Pension Funds hereby covenants for itself to the extent necessary to meet the requirements of the Pension Legislation in accordance with the obligation of each such Pension Fund (a) to use its best efforts to obtain the report referred to in paragraph (e) of Section 3.18, (b) to make the certification to the Secretary contemplated by Section 1(b)(2) of the Pension Legislation, provided, however, that such certification need not be made if (i) the report referred to above cannot be obtained or (ii) the percentage limitation requirements or absence of negative cash flow referred to in paragraphs (c) and (d) of Section 3.18, the computation as to which shall be prepared by the actuary of each Pension Fund, shall not have been met, in which case a copy of such computation, accompanied by such supporting documentation as the Secretary may reasonably request, shall be delivered to the Secretary, and (c) to deliver the statement required by Section 2(e)(1)(B) of the Pension Legislation in accordance with the provisions of such Section.
5.10. *No Implied Waivers.* No failure or delay by any of the Purchasers in exercising any right, power or privilege hereunder or under any document or instrument contemplated hereby shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Purchasers under this Agreement are cumulative and not exclusive of any other rights or remedies now or hereafter existing at law or in equity.

5.11. *Amendments, Consents, Waivers.* (a) None of the provisions of this Agreement may be modified or amended, nor may compliance therewith be waived, without the written consent of the Corporation and each of the Purchasers, except to the extent otherwise provided below in this Section.

(b) Any of the provisions of Section 4 may be modified, amended or waived upon the consent of both the Financial Institutions and the Pension Funds in accordance with the following provisions:

So long as the sum of (i) the aggregate principal amount of Bonds then owned by the Financial Institutions and their affiliates (directly or through their nominees) and (ii) the aggregate principal amount of Bonds which the Financial Institutions are committed to purchase under this Agreement after the date of determination, shall equal or exceed an amount equal to 75% of the aggregate principal amount of Bonds theretofore purchased, and committed to be purchased after the date of determination, under this Agreement by the Financial Institutions, said provisions shall be deemed modified, waived or amended, as the case may be, on behalf of the Financial Institutions upon the written consent of the Financial Institutions or their affiliates who own (directly or through their nominees) or are committed to purchase after the date of determination Bonds in an aggregate principal amount equal to at least 75% of the sum of (i) and (ii) above and, so long as the sum of (iii) the aggregate principal amount of Bonds then owned by the Pension Funds (directly or through their nominees) and (iv) the aggregate principal amount of Bonds which the Pension Funds are committed to purchase under this Agreement after the date of determination, shall equal or exceed an amount equal to 75% of the aggregate principal amount of Bonds theretofore purchased, and committed to be purchased after the date of determination, under this Agreement by the Pension Funds, said provisions shall be deemed modified, waived or amended, as the case may be, on behalf of the
Pension Funds upon the written consent of the Pension Funds who own (directly or through their nominees) or are committed to purchase after the date of determination Bonds in an aggregate principal amount equal to at least 75% of the sum of (iii) and (iv) above. Subject to the provisions of the next sentence, if the sum of (i) and (ii) above is less than 75% of the aggregate principal amount of Bonds theretofore purchased, and committed to be purchased after the date of determination, under this Agreement by the Financial Institutions, said provisions shall be deemed modified, waived or amended, as the case may be, on behalf of the Financial Institutions upon the written consent of the Financial Institutions or their affiliates who own (directly or through their nominees) or are committed to purchase after the date of determination Bonds in an aggregate principal amount in excess of 50% of the sum of (i) and (ii) above and, if the sum of (iii) and (iv) above is less than 75% of the aggregate principal amount of Bonds theretofore purchased, and committed to be purchased after the date of determination, under this Agreement by the Pension Funds, said provisions shall be deemed modified, waived or amended, as the case may be, on behalf of the Pension Funds upon the written consent of Pension Funds who own (directly or through their nominees) or are committed to purchase after the date of determination Bonds in an aggregate principal amount in excess of 50% of the sum of (iii) and (iv) above. If at any time the Financial Institutions and their affiliates own (directly or through their nominees), or are committed to purchase under this Agreement after such time, Bonds in an aggregate principal amount of less than $117,470,000, the consent of the Financial Institutions shall not be required for any modification, amendment or waiver of any of the provisions of Section 4. If at any time the Pension Funds own (directly or indirectly), or are committed to purchase under this Agreement after such time, Bonds in an aggregate principal amount of less than $62,500,000, the consent of the Pensions Funds shall not be required for any modification, amendment or waiver of any of the provisions of Section 4.

(c) The provisions of Sections 2.9, 3.1, 3.3, 3.4(b), 3.4(c) (other than clauses (iii) and (iv)), 3.5, 3.6(a), 3.6(b), 3.7, 3.8(a) (ii) and (iv), 3.8(b), 3.10, 3.17 and 3.20 may be modified, amended or waived upon the consent of the Purchasers who are committed to purchase under this Agreement after such time, Bonds in an aggregate principal amount of at least 90% of the aggregate principal amount of Bonds so committed to be purchased. The Purchasers who are committed to purchase under this Agreement on a particular Closing Date Bonds in an aggregate principal amount of at least 90% of the aggregate
principal amount of Bonds so committed to be purchased may determine in
writing, for purposes of Section 3.4(a), that any amendment or modification
referred to therein is not materially adverse to the interests of the Purchasers
as of such Closing Date.

(d) The provisions of Section 3.15 may be modified, amended or waived
upon the consent of all of the Financial Institutions committed to purchase
Bonds after such time and the provisions of Section 3.4(c)(iii) and (iv),
3.18 and 3.19 may be modified, amended or waived upon the consent of
all of the Pension Funds committed to purchase Bonds after such time.

(e) Solely for purposes of paragraph (b) of this Section, it shall be con-
clusively presumed in connection with any bona fide request for a consent that a
Purchaser (together with its affiliates) does not own (directly or through its
nominee) any bearer Bonds in coupon form if such Purchaser does not, within
10 days of the giving of notice to such Purchaser of such request for a consent,
submit to the Corporation an affidavit specifying the principal amount of bearer
Bonds in coupon form then owned by such Purchaser and its affiliates (without
necessarily specifying the particular series of Bonds so owned). A request for
a consent shall not be considered to be bona fide for purposes of this paragraph
unless there has been taken or omitted to be taken or there is a present inten-
tion to take or omit to take the action which would be permitted to be taken
or omitted to be taken, as the case may be, upon such consent and such fact
is stated in such request.

(f) Subject to the provisions of Section 3.18(a), each consent or deter-
mination given or made pursuant to this Section shall bind each Purchaser and
its affiliates, whether or not it shall join in the giving or making of such consent
or determination.

5.12. Table of Contents and Headings. The table of contents and head-
ings of Sections in this Agreement and Section 5.13 are inserted for conve-
nience only and shall not be deemed to be part of this Agreement.

5.13. Definitions. The terms set forth below are defined in this Agree-
ment as indicated.
<table>
<thead>
<tr>
<th>Term</th>
<th>Defined In</th>
</tr>
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<tbody>
<tr>
<td>Adherence Agreement</td>
<td>Recitals</td>
</tr>
<tr>
<td>Agreement to Guarantee</td>
<td>Section 3.1</td>
</tr>
<tr>
<td>Basis Point Adjustment</td>
<td>Schedule III</td>
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<td>7½% Bonds</td>
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</table>

5.14. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

5.15. **Term of Agreement.** The term of this Agreement shall be from the date hereof until the principal of and premium, if any, and interest on the Bonds and all other amounts due hereunder are paid in full or duly provided for.

5.16. **Counterparts.** This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

**In Witness Whereof,** the parties hereto have caused this Agreement to be duly executed on their behalf by their respective authorized representatives as of the date first above written.

**Municipal Assistance Corporation**
**For the City of New York**

By **Eugene J. Keiling**
Executive Director
COMMERCIAL BANKS

Bankers Trust Company

By Howard M. Schneider
Vice President

The Bank of New York

By Roger S. Phelps, Jr.
Vice President

The Chase Manhattan Bank, N.A.

By Palmer Turnheim
Senior Vice President

Chemical Bank

By Herman R. Charbonneau
Vice President

Citibank, N.A.

By William F. Dore
Assistant Vice President

Irving Trust Company

By John R. Windeler
Senior Vice President

Manufacturers Hanover Trust Company

By Russell K. Pope
Vice President

Marine Midland Bank

By David H. Woodruff
Vice President

Morgan Guaranty Trust Company of New York

By Frederick C. Witsell, Jr.
Vice President

National Bank of North America

By Gerard P. Dougherty
Vice President

United States Trust Company of New York

By Edwin A. Heard
Vice Chairman
SAVINGS BANKS

AMERICAN SAVINGS BANK
By Douglas B. Stuart
   Senior Vice President

ANCHOR SAVINGS BANK
By Edward Bertelloti
   Investment Officer

THE BROOKLYN SAVINGS BANK
By John T. Corrigan
   Assistant Treasurer

THE BOWERY SAVINGS BANK
By Dolores J. Morrissey
   Vice President

CENTRAL SAVINGS BANK
By George J. Ennis
   Vice President and Treasurer

COLLEGE POINT SAVINGS BANK
By Vincent A. Pulidore
   Comptroller

THE DIME SAVINGS BANK
   OF NEW YORK
By E. T. Sarachman
   Vice President

THE DIME SAVINGS BANK
   OF WILLIAMSBURGH
By Bernard Bernstein
   Executive Vice President

DOLLAR SAVINGS BANK
   OF NEW YORK
By Ian D. Smith
   Executive Vice President

DRY DOCK SAVINGS BANK
By George Klein
   Assistant Vice President

THE EAST NEW YORK SAVINGS
   BANK
By Thomas J. Wiss
   Executive Vice President

EMIGRANT SAVINGS BANK
By Thomas N. Morrow
   Vice President

EMPIRE SAVINGS BANK
By Wm. R. O'Brien
   Vice President

FLUSHING SAVINGS BANK
By James F. McConnell
   Vice President
SAVINGS BANKS (Continued)

FRANKLIN SAVINGS BANK
OF NEW YORK
By John L. Reilly
Vice President

The Green Point Savings Bank
By Martin Dash
Vice President

The Greenwich Savings Bank
By Joseph J. Beirne, Jr.
Vice President

Hamburg Savings Bank
By Robert W. Donaldson
Vice President and Comptroller

Harlem Savings Bank
By William R. Mahood
Vice President

Independence Savings Bank
By William R. Baumann
Treasurer

The Lincoln Savings Bank
By R. J. Wittine
Senior Vice President

Metropolitan Savings Bank
By Barry M. Donohue
Vice President

The New York Bank for Savings
By William H. Foulk, Jr.
Senior Vice President

Northfield Savings Bank
By Edward P. Hoffman
Senior Vice President

North Side Savings Bank
By Francis T. Kenney
Treasurer

Queens County Savings Bank
By Howard Miller
Vice President of Mortgages

By Bruno Satira
Vice President

Richmond County Savings Bank
By James P. Leahy
Vice President and Comptroller

Ridgewood Savings Bank
By Joseph C. Volz
Vice President
SAVINGS BANKS (Continued)

RICHLONG HILL SAVINGS BANK
By JOHN A. MCAULIFFE
Vice President and Investment Officer

THE SEAMEN'S BANK FOR SAVINGS
By ROBERT C. HOLLENBECK
Vice President

ROOSEVELT SAVINGS BANK
By HAROLD V. STRURM
Senior Vice President

UNION DIME SAVINGS BANK
By GARY B. KLINGER
Vice President and Treasurer
By PAUL ALBONETTI
Assistant Treasurer

STATEN ISLAND SAVINGS BANK
By HARRY P. DOHERTY
Cashier

THE WILLIAMSBURGH SAVINGS BANK
By GEORGE W. CLARK
Executive Vice President

UNITED MUTUAL SAVINGS BANK
By EDWARD L. NELSON
Vice President
By BARTON C. ENGLISH
Treasurer

INSURANCE COMPANIES

COLUMBIAN MUTUAL LIFE INSURANCE COMPANY
By HARRY T. GORMAN
Senior Vice President and Secretary

COMPANION LIFE INSURANCE COMPANY
By CHARLES T. LOCKE
General Counsel

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES
By DAVID F. HOYT
Assistant Vice President

HOME LIFE INSURANCE COMPANY
By JOHN A. FABIAN
Vice President—Securities
INSURANCE COMPANIES (Continued)

**Metropolitan Life Insurance Company**

By **George M. Crandles**
Vice President

By **George K. Fenn, Jr.**
Vice President and Investment Counsel

**The Mutual Life Insurance Company of New York**

By **Herbert C. Strong**
Assistant Vice President

**New York Life Insurance Company**

By **Harold K. Herzog**
Vice President

**Security Mutual Life Insurance Company of New York**

By **Alexander R. Chiesi**
Vice President and Controller

**Teachers Insurance and Annuity Association of America**

By **John M. Baldwin**
Investment Officer

By **Frank J. Pados**
Second Vice President

**United States Life Insurance Company in the City of New York**

By **Richard G. Hohn**
Vice President and Secretary

PENSION FUNDS

**New York City Employees’ Retirement System**

By **Harold E. Herkommer**
Executive Director

**Teachers’ Retirement System for the City of New York**

By **Wallace F. Sullivan**
Executive Director

**Board of Education Retirement System for the City of New York**

By **John La Carrubba**
Executive Director

**New York City Police Pension Fund, Article 2**

By **Patrick W. Lehane**
Chief Administrative Officer
## Schedule I

### Purchasers and Commitments

References to a particular fiscal year ("FY") are to the twelve-month period ending on June 30 of such year.

<table>
<thead>
<tr>
<th>Purchasers</th>
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<th>FY 1981</th>
<th>FY 1982</th>
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<tr>
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<td>The Bank of New York</td>
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<td>National Bank of North America</td>
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<td>United States Trust Company of New York</td>
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2. Savings Banks:

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<th>FY 1981</th>
<th>FY 1982</th>
<th>Total</th>
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<td>American Savings Bank</td>
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<tr>
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<tr>
<td>Anchor Savings Bank</td>
<td>1,500</td>
<td>1,500</td>
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<td>1,500</td>
<td>6,000</td>
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<tr>
<td>The Bowery Savings Bank</td>
<td>9,350</td>
<td>9,525</td>
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<tr>
<td>Purchaser</td>
<td>FY 1979</td>
<td>FY 1980</td>
<td>FY 1981</td>
<td>FY 1982</td>
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<tr>
<td>------------------------------------------</td>
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<td>Ridgewood Savings Bank</td>
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<td>Myrtle and Forest Avenues</td>
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<td>1122 Franklin Avenue</td>
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<tr>
<td>Attention: Frederick H. Schneider</td>
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<tr>
<td>President</td>
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</tr>
<tr>
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<td>Attention: Robert C. Hollenbeck</td>
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<td>Vice President</td>
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<tr>
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<tr>
<td>Attention: John L. Sipp</td>
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<td></td>
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<td>Chairman</td>
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<td>2,750</td>
<td>2,750</td>
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</tr>
<tr>
<td>Attention: Gary B. Klinger</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Vice President-Treasurer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>United Mutual Savings Bank</td>
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<td>625</td>
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<td>New York, N.Y. 10019</td>
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</tr>
<tr>
<td>Attention: Edward L. Nelson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The Williamsburgh Savings Bank</td>
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<td>3,250</td>
<td>3,250</td>
<td>3,250</td>
<td>13,000</td>
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<tr>
<td>Brooklyn, N.Y. 11243</td>
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</tr>
<tr>
<td>Attention: George W. Clark</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Vice President</td>
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<td></td>
</tr>
<tr>
<td>Totals for Savings Banks</td>
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<td>$75,000</td>
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3. Insurance Companies:

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<tr>
<th>Company</th>
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<th>FY 1980</th>
<th>FY 1981</th>
<th>FY 1982</th>
<th>Total</th>
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<td>Purchaser</td>
<td>FY 1979</td>
<td>FY 1980</td>
<td>FY 1981</td>
<td>FY 1982</td>
<td>Total</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>-------</td>
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<tr>
<td>Companion Life Insurance Company 230 Park Avenue New York, N.Y. 10017</td>
<td>100</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>100</td>
</tr>
<tr>
<td>Attention: Charles T. Locke, Esq.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Equitable Life Assurance Society of the United States 1285 Avenue of</td>
<td>70,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>70,000</td>
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<tr>
<td>the Americas New York, N.Y. 10019 Attention: Direct Placement Department</td>
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<tr>
<td>Home Life Insurance Company 253 Broadway New York, New York 10007</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>4,000</td>
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<tr>
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</tr>
<tr>
<td>Metropolitan Life Insurance Company One Madison Avenue New York, N.Y. 100</td>
<td>110,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>110,000</td>
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<tr>
<td>10 Attention: Treasurer</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The Mutual Life Insurance Company of New York 1740 Broadway New York,</td>
<td>16,000</td>
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<td>—</td>
<td>—</td>
<td>16,000</td>
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<tr>
<td>N.Y. 10019 Attention: Securities Investment Department</td>
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<tr>
<td>New York Life Insurance Company 51 Madison Avenue New York, N.Y. 10010</td>
<td>4,000</td>
<td>12,400</td>
<td>12,800</td>
<td>16,800</td>
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<td>Security Mutual Life Insurance Company of New York Court House Square</td>
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<td>100</td>
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<td>Teachers Insurance and Annuity Association of America 730 Third Avenue</td>
<td>—</td>
<td>1,000</td>
<td>500</td>
<td>500</td>
<td>2,000</td>
</tr>
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</tr>
<tr>
<td>Purchasers</td>
<td>FY 1979</td>
<td>FY 1980</td>
<td>FY 1981</td>
<td>FY 1982</td>
<td>Total</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>--------</td>
</tr>
<tr>
<td>United States Life Insurance Company in The City of New York</td>
<td>$ 1,000</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 1,000</td>
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<tr>
<td>125 Maiden Lane</td>
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<td></td>
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<td></td>
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<tr>
<td>New York, N. Y. 10005</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Attention: Frank Suozzo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President and Treasurer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Totals for Insurance Companies                                            | $ 205,250 | $ 13,550 | $ 13,450 | $ 17,450 | $ 249,700 |

4. Pension Funds:

| New York City Employees’ Retirement System                               | $ 29,640 | $ 110,090 | $ 110,125 | $ 57,020 | $ 306,875 |
| 220 Church Street                                                        |         |         |         |         |        |
| New York, N. Y. 10013                                                    |         |         |         |         |        |
| Attention: Harold E. Herkommer                                            |         |         |         |         |        |
| Executive Director                                                       |         |         |         |         |        |

| Teachers’ Retirement System for The City of New York 40 Worth Street      | 19,865  | 73,770  | 73,785  | 38,205  | 205,625 |
| 40 Worth Street                                                          |         |         |         |         |        |
| New York, N. Y. 10013                                                    |         |         |         |         |        |
| Attention: Wallace F. Sullivan                                            |         |         |         |         |        |
| Executive Director                                                       |         |         |         |         |        |

| Board of Education Retirement System for The City of New York 65 Court Street | 1,090  | 4,040  | 4,030  | 2,090  | 11,250 |
| 65 Court Street                                                          |         |         |         |         |        |
| Brooklyn, N. Y. 11201                                                    |         |         |         |         |        |
| Attention: John La Carrubba                                               |         |         |         |         |        |
| Executive Director                                                       |         |         |         |         |        |

| New York City Police Pension Fund, Article 2 1 Police Plaza               | 9,780  | 36,325  | 36,335  | 18,810  | 101,250 |
| New York, N. Y. 10038                                                   |         |         |         |         |        |
| Attention: Deputy Commissioner                                           |         |         |         |         |        |

| Totals for Pension Funds                                                  | $ 60,375 | $ 224,225 | $ 224,275 | $ 116,125 | $ 625,000 |
| Totals for All Purchasers                                                 | $ 401,000 | $ 537,000 | $ 537,000 | $ 324,700 | $ 1,799,700 |
### Schedule II

**Serial Bond Maturities for Closing**  
**in Fiscal Year 1979**  
(dollars in thousands)

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Metropolitan Life Insurance Company</th>
<th>The Equitable Life Assurance Society of the United States</th>
<th>The Mutual Life Insurance Company of New York</th>
<th>Home Life Insurance Company</th>
<th>United States Life Insurance Company of the City of New York</th>
<th>Companion Life Insurance Company</th>
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<tr>
<td>7/1/85</td>
<td>$6,850</td>
<td>7.85%</td>
<td>$2,150</td>
<td>$6,150</td>
<td>$600</td>
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<td>8.15</td>
<td>5,000</td>
<td>4,000</td>
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<td>5,400</td>
<td>1,300</td>
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<td>100</td>
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<td>2,750</td>
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<td>2,700</td>
<td>250</td>
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<tr>
<td>Totals</td>
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<td>$70,000</td>
<td>$16,000</td>
<td>$4,000</td>
<td>$1,000</td>
<td>$100</td>
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</table>
Schedule III

Determination of Interest Rates for Closings After Fiscal Year 1979

The interest rate for Bonds purchased on a Closing Date after Fiscal Year 1979 (the "New Bonds") shall, except as provided below, be the rate equal to The Bond Buyer 20 Bond Index published during the week preceding the week in which the Closing Date occurs plus the average excess of (a) the Market Yield to Maturity (determined as provided below) on each of the trading days for which The Bond Buyer 20 Bond Index is published (the "BBI Dates") during the 13 weeks immediately preceding the week in which the Closing Date occurs over (b) The Bond Buyer 20 Bond Index on such BBI Dates. The rate so calculated shall be rounded to the nearest eighth of a percentage point. If the rate so determined is less than the Market Rate (determined as provided below) that would prevail on the BBI Date during the week preceding the week in which the Closing Date occurs, then the interest rate for the New Bonds shall be the Market Rate. In the event of any postponement of a scheduled date for the purchase of New Bonds, the interest rate for the New Bonds shall be calculated in accordance with this Schedule as of the actual Closing Date.

Market Yield to Maturity

The Market Yield to Maturity shall be calculated by J. J. Kenney & Co., or another nationally recognized broker or dealer in municipal securities selected by the Committee described below who is not itself, and is not affiliated with, a managing underwriter of obligations of or a financial advisor to the Corporation or the City and who is independent from each of the Purchasers, (the "Calculator"), as follows:

1. The Calculator shall determine the arithmetic average on each BBI Date during the 13 weeks immediately preceding the Closing Date of (a) the yield to maturity based on market prices on such BBI Date for the Corporation's 7½% bonds due 1992 (the "7½% Bonds") and (b) the yield to maturity based on market prices on such BBI Date for the Corporation's term bonds (the "Other Bonds") which would require the least Basis Point Adjustment (as defined in 3 below) of any one or more series of term bonds issued under the Second Bond Resolution (other than the 7½% Bonds) having the same interest rate and maturity date and similar optional redemption provisions, and trading together, which facts shall be conclusively determined by the Committee, (i) of which at least $100 million aggregate principal amount had been publicly distributed by the Corporation and were outstanding on each such BBI Date and (ii) which are not redeemable at the option of the
Corporation for at least seven years after the Closing Date. If there is more than one such one or more series of term bonds, the "Other Bonds" shall be the one or more series with a final maturity date that is closest to that of the New Bonds or, if there is more than one such one or more series having the closest final maturity date, the "Other Bonds" shall be the one or more series with the largest aggregate principal amount of bonds outstanding as of the Closing Date.

2. The market prices for 7½% Bonds or Other Bonds on any BBI Date shall be the average of the bid and asked prices for the 7½% Bonds or Other Bonds, as the case may be, determined by the Calculator on the basis of bid and asked prices quoted to such firm on such BBI Date by at least three recognized market makers in the 7½% Bonds or the Other Bonds, as the case may be, who are independent from the Purchasers.

3. The Basis Point Adjustment for any series of term bonds then outstanding shall be the number of basis points (rounded to the nearest tenth of a basis point) equal to the number resulting from the following calculation:

\[ 3 \left( \frac{A_{\text{new}} - A_{\text{old}}}{4} + \frac{M_{\text{new}} - M_{\text{old}}}{5} \times 5 \right) \]

4. The Market Yield to Maturity on any BBI Date during the 13 weeks immediately preceding the Closing Date shall be the arithmetic average of the respective yields to maturity on such BBI Date for the 7½% Bonds and the Other Bonds, determined as provided above, plus the arithmetic average of the respective Basis Point Adjustments as of such Closing Date for the 7½% Bonds and the Other Bonds; provided, however, that if such average of the Basis Point Adjustments is a negative number, it shall not be subtracted and the Market Yield to Maturity for each such BBI Date shall be such arithmetic average of yields to maturity on such date, without adjustment.
5. Assuming the average life and the final maturity date for the New Bonds are 13 and 1999, for the 7 1/2% Bonds are 9 and 1992 and for the Other Bonds are 18.5 and 2000, then the Basis Point Adjustment for the 7 1/2% Bonds would be 23.8, the Basis Point Adjustment for the Other Bonds would be minus 21.9 and the average of such Basis Point Adjustments would be 1.0, all as shown in the following calculations:

\[
\text{Basis Point Adjustment for 7 1/2% Bonds} = \frac{3 \cdot (13.9) + (1999-1992)}{4} \times 5 = 23.75 \text{ rounded to } 23.8
\]

\[
\text{Basis Point Adjustment for Other Bonds} = \frac{3 \cdot (13-18.5) + (1999-2000)}{4} \times 5 = -21.875 \text{ rounded to } -21.9
\]

\[
\text{Average of Basis Point Adjustments for 7 1/2% Bonds and Other Bonds to be Added in Determining Market Yields to Maturity} = \frac{23.8 + (-21.9)}{2} = .95 \text{ rounded to 1.0}
\]

**Market Rate**

The Market Rate on the BBI Date during the week preceding the Closing Date shall be the coupon rate (rounded to the nearest eighth of a percentage point) that would prevail in a successful public distribution on such date at par (assuming an underwriting spread then customary) of New Bonds in an aggregate principal amount equal to the lesser of (a) the aggregate principal amount of the New Bonds and (b) $250 million, and shall be determined as follows:

1. On the BBI Date during the week before the week of the Closing Date the Calculator shall determine the yield to maturity for each series of term bonds (and any issue of serial bonds with a comparably active trading market) issued by the Corporation under the Second Bond Resolution with an average life as of such Closing Date within five years of that of the New Bonds, on the basis of the average of the bid and asked prices for such series quoted to the Calculator on such BBI Date by at least three recognized market makers in such bonds who are independent from each of the Purchasers. On the basis
of such yields to maturity the Calculator shall determine the yield to maturity at which, in its best judgment, the New Bonds would have traded in the secondary market on the BBI Date during the week before the week of the Closing Date.

2. As soon as practicable on the day after the BBI Date referred to in 1 above, the Corporation shall cause the Calculator to deliver to the Corporation, the City, each of the Purchasers, the lead underwriter in the Corporation's most recent public distribution of bonds issued under the Second Bond Resolution (the "Lead Underwriter") and the committee of three experts described below (the "Committee"), a report setting forth the Calculator's determination of the Market Yields to Maturity for each of the prior 13 BBI Dates (including a description of all bid and asked prices and of its calculations) and its determination of the yield to maturity for the New Bonds described in 1 above (including a description of all bid and asked prices and of its calculation).

3. Before the close of business on the day after the BBI Date referred to in 1 above, the Lead Underwriter shall notify in writing the Corporation, the City, the Purchasers and the Committee of its judgment as to what the coupon rate would have been for a successful public distribution on such BBI Date at par (assuming an underwriting spread then customary) of New Bonds in an aggregate principal amount equal to the lesser of (a) the aggregate principal amount of the New Bonds and (b) $250 million.

4. In the afternoon of the first business day after the Lead Underwriter gives the notification referred to in 3 above, there shall be a meeting at which representatives of the Corporation, the City and the Purchasers may present their views to the Committee, and ask questions of the Calculator and the Lead Underwriter, with respect to the determination of the Market Rate.

5. On or before the business day after the meeting referred to in 4 above, the Committee shall notify in writing the Corporation, the City and the Purchasers of its determination of the interest rate for the New Bonds in accordance with this Schedule. In the event of a disagreement within the Committee as to what the Market Rate should be, a majority vote shall prevail or, if there is no majority consensus, the Market Rate shall be equal to the arithmetic average of the rates which each expert on the Committee believes to be appropriate.
Any Bonds issued by the Corporation on the Closing Date shall bear interest at the rate determined by the Committee in accordance with this Schedule, which determination shall be final and binding on all parties. The issuance by the Corporation of bonds bearing such rate shall in each case be subject to the adoption by the Corporation of a Series Resolution providing therefor.

The Closing Date for the New Bonds shall be no earlier than the business day after the notification by the Committee of its determination of the interest rate for the New Bonds.

The Committee shall consist of three recognized experts in pricing municipal bonds who are not, and are not affiliated with, any managing underwriter of obligations of or financial advisor to the Corporation or the City and who are independent from each of the Purchasers. One such expert shall be chosen (and may be removed) by the Corporation, one shall be chosen (and may be removed) by the Purchasers and the third shall be chosen (and may be removed) by the first two experts so chosen. The Purchasers have initially chosen John F. Thompson and the Corporation has initially chosen David Rochat. The Purchasers’ expert shall be chosen or removed by the vote of (a) the Financial Institutions committed to purchase in excess of 50% in aggregate principal amount of the Bonds committed to be purchased thereafter under this Agreement by the Financial Institutions and (b) the Pension Funds committed to purchase in excess of 50% in aggregate principal amount of the Bonds committed to be purchased thereafter under this Agreement by the Pension Funds.

The Corporation shall pay the reasonable fees and expenses of the Calculator and the Committee.

If for any reason The Bond Buyer 20 Bond Index is no longer published, the Committee shall select a comparable index which shall be substituted for The Bond Buyer 20 Bond Index for all purposes of this Schedule.
Schedule IV

Existing Litigation


AN ACT to amend chapter eight hundred ninety of the laws of nineteen hundred seventy-five relating to the purchase by certain retirement systems and pension funds of the city of New York of obligations of such city and of the municipal assistance corporation for such city and indemnification for such investments, in relation to indemnification and payment of administrative expenses pursuant to such chapter and the duration and clarification of certain provisions of such chapter and to amend the administrative code of the city of New York and the education law, in relation to time of payment of employer contributions to such retirement systems and pension funds.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one of chapter eight hundred ninety of the laws of nineteen hundred seventy-five, relating to the purchase by certain retirement systems and pension funds of the city of New York of obligations of such city and of the municipal assistance corporation for such city and indemnification for such investments, is hereby amended to read as follows:

§ 1. a. Notwithstanding any inconsistent provisions of law, the trustees of the New York city employees' retirement system, the board of education retirement system of the city of New York, the teachers' retirement system of the city of New York, the New York city police pension funds and fire department pension funds may, in their discretion, purchase and hold obligations of the city of New York or obligations of the municipal assistance corporation for the city of New York and enter into commitments contemplated by subdivision four of section ten-a of the New York state financial emergency act for the city of New York, as amended, providing for the purchase of such obligations by such retirement systems or pension funds (hereinafter referred to as “entry into commitments”) without regard to the percentage of the assets of any such system or fund invested in such obligations and without regard to the percentage of outstanding obligations of such issuer held or to be held by such system or fund.

b. For the purchase and holding of the obligations and entry into commitments and the sale of assets as described in this act, the trustees of such retirement systems and funds in determining investments by such systems and

EXPLANATION—Matter in italics is new; matter in brackets [ ] is old law to be omitted.
funds may consider, in addition to other appropriate factors recognized by law, the extent to which such investments will (a) maintain the ability of the city of New York (1) to make future contributions to such systems and funds and (2) to satisfy its future obligations to pay pension and retirement benefits to members and beneficiaries of such systems and funds and (b) protect the sources of funds to provide retirement benefits for members and beneficiaries of such systems and funds.

§ 2. Subdivision a of section two of such chapter is hereby amended to read as follows:

a. Notwithstanding any other provision of law, including the provisions of subdivision one of section seventeen of the public officers law, the city of New York shall save harmless and indemnify all members of the board, officers, employees, trustees, fiduciaries and investment advisors of any such system or fund from financial loss arising out of any claim, demand, suit, action or judgment for alleged negligence, waste or breach of fiduciary duty (a) resulting from the purchase by such systems and funds of any obligations of the city of New York or the municipal assistance corporation for the city of New York from such city or corporation or (b) resulting from the holding by such systems or funds of any such obligations so purchased or (c) resulting from entry into commitments or (d) resulting from the sale of any assets held in such systems and funds to produce sufficient revenues to purchase such obligations, provided that such person shall, within eight days after the date on which he is served with any summons, complaint, process, notice, demand, claim or pleading, deliver the original or a true copy thereof to the corporation counsel of the city of New York. Upon such delivery the corporation counsel of the city of New York shall assume control of the representation of such person in connection with such claim, demand, suit, action or proceeding. Such person shall cooperate fully with the corporation counsel of the city of New York or any other person designated to assume such defense in respect of such representation or defense.

§ 3. Section three of such chapter is hereby amended to read as follows:

§ 3. a. The city retirement systems and funds shall continue as separate and distinct bodies corporate with (i) the power to borrow money, and pledge as collateral therefor such assets as they may deem advisable for the purpose of purchasing, in their discretion, obligations of the state, the city of New York or the municipal assistance corporation for the city of New York, and (ii) such other powers as may be conferred upon them by law.
b. (i) All assets of the city retirement systems and funds, including to the extent not otherwise provided by law, all dividends, interest and other income therefrom, are and shall hereafter continue to be held in trust for the sole and exclusive purpose of providing for pension benefits and such benefits, if any, as may be payable pursuant to variable supplements programs for members and beneficiaries of such system or fund, including the defraying of administrative expenses [(1)] to the extent that payment of such expenses have been authorized by the city of New York and (2) if the city of New York shall not have provided the funds to pay such expenses as they fall due from such assets is authorized by paragraph (ii) of this subdivision b.

(ii) (A) If the city of New York is under the jurisdiction of any court pursuant to any proceedings under the federal or state bankruptcy laws (or any statute analogous in purpose or effect to any such laws) the board of trustees or retirement board of any such system or fund may direct use of assets of such system or fund to defray administrative expenses authorized by the city in any case where the city shall not have provided the funds to pay such expenses as they fall due.

(B) If the city is under the jurisdiction of any court pursuant to any proceedings described in subparagraph (A) of this paragraph (ii) and the city shall not have made appropriations for the administrative expenses of any such system or fund for any city fiscal year, the board of trustees or retirement board thereof may direct use of assets of such system or fund to pay its administrative expenses during such fiscal year up to a maximum amount determined as hereinafter provided in this subparagraph. The amount of the total expense budget appropriation for the nineteen hundred seventy-eight–nineteen hundred seventy-nine fiscal year of the city for administrative expenses of such system or fund shall be multiplied by the percentage by which the consumer price index (all urban consumers, New York-Northeastern New Jersey) published by the United States Bureau of Labor Statistics for the month of June immediately preceding the city fiscal year for which such maximum amount is being determined hereunder exceeds such consumer price index for the month of June, nineteen hundred seventy-eight. Such maximum amount shall be the sum obtained by adding the product of such multiplication to the amount of such total expense budget appropriation for such nineteen hundred seventy-eight–nineteen hundred seventy-nine fiscal year.

c. No creditor of the city of New York shall have any claim against the assets of such system or fund, by virtue of his status as such creditor; provided, however, this sentence shall not be interpreted to deny to a pensioner
or beneficiary of a city retirement system or fund any causes of action against the city or a retirement system or fund by virtue of his status as such pensioner or beneficiary.

\( d. \) The moneys and investments of each city retirement system or fund if held by the comptroller of the city of New York shall not be commingled with any other moneys or investments held by such comptroller.

\( \text{§ 4.} \) Section five of such chapter, as amended by chapter four hundred forty-eight of the laws of nineteen hundred seventy-eight, is hereby amended to read as follows:

\( \text{§ 5. (a)} \) This act shall take effect immediately, except that the provisions of sections one through three shall be retroactive to and shall be deemed to have been in full force and effect from and after November twenty-third, nineteen hundred seventy-five [, and such].

\( (b) \) The provisions of section one and paragraph (i) of subdivision a of section three shall terminate on December thirty-first, nineteen hundred eighty-three, provided, however, that nothing herein contained shall be deemed to diminish the indemnification provided by section two of this act for investment (including, without limitation, purchases and holdings), entry into commitments, borrowings, pledges and sales made in accordance with the provisions of this act during the period commencing November twenty-third, nineteen hundred seventy-five, and ending on December thirty-first, nineteen hundred eighty-three, which indemnification shall continue and survive with respect to any such action effected during such period in accordance with the provisions of this act.

\( \text{§ 5.} \) Section B3-21.0 of the administrative code of the city of New York is hereby amended by adding thereto a new subdivision c to read as follows:

\( \text{c. (1)(A)} \) The comptroller shall make monthly payments, in twelve equal installments, with respect to obligations which the city incurs to pay sums to the retirement system.

\( (B) \) The New York city health and hospitals corporation shall make monthly payments, in twelve equal installments, with respect to obligations which it incurs to pay sums to the retirement system.

\( (2) \) The equal monthly payments shall be in respect of obligations payable in the payment fiscal year (as defined in subdivision b of this section) and shall be made on or before the last day of each month.
(3) The New York city off-track betting corporation, the Triborough bridge and tunnel authority and the New York city housing authority shall make their respective annual contributions to the retirement system in respect of obligations payable in the payment fiscal year on or before January first of the payment fiscal year.

(4) The board of trustees of the retirement system may waive the requirements of the foregoing provisions of this subdivision with respect to time of payment to such system, provided that any such waiver of time of payment in any instance shall not apply to the time of subsequent payments unless there shall be a subsequent waiver.

§ 6. Section B18-27.0 of such code is hereby amended by adding thereto a new subdivision c to read as follows:

   c. (1) The comptroller shall make monthly payments, in twelve equal installments, with respect to obligations which the city incurs to pay sums to the pension fund.

   (2) The equal monthly payments shall be in respect of obligations payable in the payment fiscal year (as defined in subdivision b of this section) and shall be made on or before the last day of each month.

   (3) The board of trustees of the pension fund may waive the requirements of the foregoing provisions of this subdivision with respect to time of payment to such fund, provided that any such waiver of time of payment in any instance shall not apply to the time of subsequent payments unless there shall be a subsequent waiver.

§ 7. Section B19-7.68 of such code is hereby amended by adding thereto a new subdivision c to read as follows:

   c. (1) The comptroller shall make monthly payments, in twelve equal installments, with respect to obligations which the city incurs to pay sums to the pension fund.

   (2) The equal monthly payments shall be in respect of obligations payable in the payment fiscal year (as defined in subdivision b of this section) and shall be made on or before the last day of each month.

   (3) The board of trustees of the pension fund may waive the requirements of the foregoing provisions of this subdivision with respect to time of payment to such fund, provided that any such waiver of time of payment in any instance shall not apply to the time of subsequent payments unless there shall be a subsequent waiver.
§ 8. Section B20-30.0 of such code is hereby amended by adding thereto a new subdivision c to read as follows:

(c) (1) The comptroller shall make monthly payments, in twelve equal installments, with respect to obligations which the city incurs to pay sums to the retirement system.

(2) The equal monthly payments shall be in respect of obligations payable in the payment fiscal year (as defined in subdivision b of this section) and shall be made on or before the last day of each month.

(3) The retirement board of the retirement system may waive the requirements of the foregoing provisions of this subdivision with respect to time of payment to such system, provided that any such waiver of time of payment in any instance shall not apply to the time of subsequent payments unless there shall be a subsequent waiver.

§ 9. Subdivision sixteen of section twenty-five hundred seventy-five of the education law is hereby amended by adding thereto a new paragraph (g) to read as follows:

(g) (1) The board of education shall make monthly payments, in twelve equal installments, with respect to obligations which such board incurs to pay sums to the retirement system.

(2) The equal monthly payments shall be in respect of obligations payable in the payment fiscal year (as defined in paragraph (a) of this subdivision) and shall be made on or before the last day of each month.

(3) The retirement board of the retirement system may waive the requirements of the foregoing provisions of this paragraph with respect to time of payment to such system, provided that any such waiver of time of payment in any instance shall not apply to the time of subsequent payments unless there shall be a subsequent waiver.

§ 10. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of competent jurisdiction, such declaration shall be limited to the section, part or provision directly involved in the controversy in which such declaration was made and shall not affect any other section, provision or part thereof.

§ 11. This act shall take effect immediately.
ADHERENCE AGREEMENT

November 15, 1978

To each of the Purchasers
Referred to Below

Dear Sirs:

The City of New York (the “City”) has been advised that the Municipal Assistance Corporation For The City of New York (the “Corporation”) is prepared to enter into a Bond Purchase Agreement dated as of the date hereof (the “Bond Purchase Agreement”) with each of the Purchasers named in Schedule I thereto (the “Purchasers”) pursuant to which the Purchasers will agree, severally, to purchase $1,799,700,000 in aggregate principal amount of the Corporation’s bonds (the “Bonds”) to be issued pursuant to its Second General Bond Resolution adopted November 25, 1975, as supplemented and amended from time to time. The Purchasers have required that this Agreement be executed and delivered as an essential condition to their entering into the Bond Purchase Agreement.

In order to induce the Purchasers to enter into the Bond Purchase Agreement and to purchase the Bonds pursuant to the terms thereof, the City hereby agrees as follows with and for the benefit of each of the Purchasers:

 SECTION 1. Representations and Warranties. The City hereby represents and warrants that:

1.1. Authorization; Validity and Enforceability. The execution, delivery and performance of this Agreement has been duly authorized. This Agreement has been duly executed and delivered by the City and constitutes a valid and legally binding agreement of the City. The City is subject to suit by the Purchasers to enforce the City’s obligations under this Agreement.

1.2. No Conflict, etc. The execution, delivery and performance of this Agreement will not conflict with or constitute on the part of the City a breach of, or a default under, any law, ordinance, regulation, decree or order existing on the date as of which this representation and warranty is made, the City Charter, or (to the best of the knowledge of the City, after due investigation) any resolution, agreement, indenture, mortgage, lease or other instrument to which the City is subject or by which it is bound.
1.3. **Governmental Approvals.** No authorization, consent or approval of, or filing or registration with, any legislative body or other governmental official, department, commission, board, bureau, agency, instrumentality, body or public benefit corporation which has the jurisdiction and power to take the action it purports to take (a “Governmental Authority”) or court is or will be necessary, under requirements of law existing on the date as of which this representation and warranty is made, for the valid execution, delivery or performance by the City of this Agreement, or, if necessary, such authorization, consent, approval, filing or registration has been duly obtained or made.

1.4. **Pending or Threatened Litigation.** There is no action, suit, proceeding or investigation before or by any court or Governmental Authority pending or (to the best of the knowledge of the City) overtly threatened against the City or (to the best of the knowledge of the City, no independent investigation having been made) any other person wherein an unfavorable decision, ruling or finding would have any of the effects described in clause (a), (b) or (c) of Section 2.9 of the Bond Purchase Agreement; except any such action, suit, proceeding or investigation (or any action, suit or proceeding which may be brought with respect to the subject matter of any such investigation) (i) which is referred to in Schedule IV to the Bond Purchase Agreement, or (ii) wherein an unfavorable decision, ruling or finding would have any of the effects described in (a), (b) or (c) of the Bond Purchase Agreement, but which is referred to in a certificate of the Chairman of the Corporation delivered on the Closing Date as of which this representation and warranty is made to the Purchasers and to each of the counsel delivering opinions pursuant to Section 3.12(b) and (c) thereof.

1.5. **No Sovereign Immunity.** In any proceeding by a Purchaser to enforce any of the obligations of the City under this Agreement in a court of competent jurisdiction, the City does not have and agrees not to assert the defense of sovereign immunity and consents to the initiation of any such proceedings.

1.6. **FCB Act.** The New York State Financial Emergency Act for The City of New York, as amended from time to time (the “FCB Act”), has been validly enacted and is in full force and effect. The pledge and agreement of the State of New York (the “State”) in Section 3 hereof is duly authorized pursuant to Section 10-a.3 of the FCB Act.

1.7. **Certificates to Constitute Representation and Warranty of the City.** Any certificate signed by any official of the City and delivered to the Purchasers
pursuant to the Bond Purchase Agreement shall be deemed a representation and warranty by the City to each of the Purchasers as to the accuracy of the statements therein made.

SECTION 2. Covenants of the City. The City hereby covenants and agrees that:

2.1. Compliance with FCB Act. It will comply with (a) the provisions of the FCB Act applicable to the City, as the FCB Act may be amended from time to time without violation of the State Covenant and (b) the City's then current four-year financial plan, together with any modifications thereof, prepared pursuant to the FCB Act and approved or formulated by the New York State Financial Control Board (the "Control Board") for the City pursuant to the FCB Act.

2.2. Debt Service Fund and Short-Term Borrowing. It will comply with the provisions of Sections 9-a and 9-b of the FCB Act, and all definitions in Section 2 of the FCB Act applicable to Sections 9-a and 9-b, as in effect on the date hereof; provided, however, that it may instead comply with the provisions of any amendments to such Sections and definitions after the date hereof, that are consistent with the State Covenant, to the following extent:

(i) The City may act in accordance with an amendment to the definition of "Available Tax Levy" or Section 9-a.2 of the FCB Act if such amendment is consistent with the objectives, as reflected in Section 9-a of the FCB Act as in effect on the date hereof, that all monthly debt service, within the meaning of Section 9-a.2.a of the FCB Act as in effect on the date hereof, will be funded from actual collections of real estate taxes and assessments held in a separate account without commingling with other revenues and that such funding will occur in advance of such monthly debt service payments;

(ii) The City may renew tax anticipation notes to mature on the earlier of (A) the expected date of collection of the taxes or assessments in respect of which such notes were issued or (B) 20 days after the end of the fiscal year of the City (a "fiscal year") in which such notes were issued, to the extent such taxes or assessments are properly accrued in the fiscal year in which such notes were issued in accordance with generally accepted accounting principles ("GAAP");

(iii) The City may issue revenue anticipation notes with a maturity within four months after the fiscal year in which they were issued to the
extent (A) there is a change in the timing pattern for revenues of the City after the date hereof, (B) the revenues in respect of which such notes were issued are properly accrued in the fiscal year such notes were issued in accordance with GAAP and (C) the amount of any such revenues is included in the then current Financial Plan (as defined in the Bond Purchase Agreement); and

(iv) The City may renew, for two additional successive periods not to exceed 6 months each, bond anticipation notes which have been renewed once, to the extent that within 60 days before each such additional renewal, the City concluded in writing, and the Financial Advisor concurred in writing, that a sufficient principal amount of bonds of the City or the Corporation cannot be sold in the general public market for municipal securities. For purposes hereof the term "Financial Advisor" shall mean Dillon, Read & Co. Inc. or such other investment banking firm, financial institution or individual of national reputation with expertise in municipal finance, acceptable to the Purchasers, which has been retained by the City to advise it concerning its financial affairs.

2.3. Reports Under Guarantee Agreement. Each report, statement, certificate or other document delivered pursuant to the Agreement to Guarantee (as defined in the Bond Purchase Agreement) will be made available by the City for inspection by any Purchaser and, upon and in accordance with the written request of any Purchaser, a copy of each such report, statement, certificate or document will be delivered to such Purchaser concurrently with the delivery thereof pursuant to the Agreement to Guarantee (or, if previously delivered pursuant to the Agreement to Guarantee, promptly upon receipt of such request).

SECTION 3. Covenant of the State. In accordance with the provisions of Section 10-a.3 of the FCB Act, the City hereby includes in this Agreement the pledge and agreement of the State that the State will take no action that would impair the power of the City to comply with or perform its obligations under this Agreement or any right or remedy of the Purchasers to enforce the City's obligations under this Agreement.

SECTION 4. Miscellaneous.

4.1. Notices. All communications hereunder, if sent to the City, shall be addressed to the Mayor of the City, City Hall, New York, New York 10007, with a copy to the Comptroller of the City, Room 530, Municipal
Building, New York, New York 10007, or at such other address as the City shall hereafter notify each of the Purchasers in writing; and if sent to any Purchaser, shall be addressed as provided in Schedule I to the Bond Purchase Agreement, with a copy to Davis Polk & Wardwell, 1 Chase Manhattan Plaza, New York, New York 10005, or at such other address or to such other firm as such Purchaser shall hereafter advise the Corporation pursuant to Section 5.1 of the Bond Purchase Agreement. Any such notice shall be deemed to have been given when delivered or received by mail, or when both telephoned, teleden, telegraphed or telexed and confirmed in writing by being mailed postage prepaid. Notwithstanding the foregoing to the contrary, until otherwise requested by the Purchaser in question, the City may deliver reports, statements, certificates or other documents pursuant to Section 2.3 by delivering sufficient quantities for each commercial bank to The New York Clearing House, 100 Broad Street, New York, New York 10004, Attention: Executive Vice President, sufficient quantities for each savings bank to the Savings Banks Association of New York State, 200 Park Avenue, New York, New York 10017, Attention: Director Community Development and Housing Finance, sufficient quantities for each insurance company to the Life Insurance Council of New York, Incorporated, 630 Fifth Avenue, New York, New York 10020, Attention: President, and sufficient quantities for each pension fund to the Third Deputy Comptroller of the City, Room 707, Municipal Building, New York, New York 10007.

4.2. Expenses. The Purchasers shall not be responsible for the City's expenses in connection with this Agreement and the Bond Purchase Agreement, including the fees and disbursements of the City's bond counsel.

4.3. Parties in Interest. This Agreement shall be legally binding upon the City, and inure solely to the benefit of the Purchasers (and any of their affiliates owning Bonds), and their respective successors, and no other person, partnership, association, corporation or governmental entity shall have or acquire any right under or by virtue of this Agreement. No purchaser of Bonds from any Purchaser shall be deemed to be a successor merely by reason of such purchase.

4.4. Amendments, Consents, Waivers. No failure or delay by any of the Purchasers in exercising any right, power or privilege hereunder or under any document or instrument contemplated hereby shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
None of the provisions of this Agreement may be modified or amended, nor may compliance therewith be waived, without the written consent required under Section 5.11(b) of the Bond Purchase Agreement for a modification, amendment or waiver of Section 4 of the Bond Purchase Agreement; the provisions of Section 5.11(e) and (f) shall be applicable to any such consent.

4.5. *Representations and Warranties to Survive Delivery.* All representations and warranties of the City hereunder or pursuant to the Bond Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Purchasers, and shall survive delivery of the Bonds to the Purchasers.

4.6. *Separability.* In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

4.7. *Headings.* The headings of Sections in this Agreement are inserted for convenience only and shall not be deemed to be part of this Agreement.

4.8. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

4.9. *Term of Agreement.* This Agreement shall become effective simultaneously with the initial purchase of Bonds pursuant to the Bond Purchase Agreement. The term of this Agreement shall be from the effective date hereof until the earlier of (a) any termination by amendment pursuant to Section 4.4 or (b) the principal of and premium, if any, and interest on the Bonds are paid in full or duly provided for.

THE CITY OF NEW YORK

Approved as to form:

By ..............................................
Edward I. Koch,
Mayor

By ..............................................
Harrison J. Goldin,
Comptroller

Allen G. Schwartz,
Corporation Counsel
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

19 Series Resolution

Authorizing up to

$19 SERIES BONDS

Adopted , 19
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

19 SERIES RESOLUTION AUTHORIZING
UP TO $19 SERIES BONDS

TABLE OF CONTENTS*

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>19 Series Resolution</td>
<td>1</td>
</tr>
<tr>
<td>102</td>
<td>Definitions</td>
<td>1</td>
</tr>
<tr>
<td>103</td>
<td>Authority for the 19 Series Resolution</td>
<td>2</td>
</tr>
</tbody>
</table>

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF 19 SERIES BONDS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Authorization of 19 Series Bonds, Principal Amount,</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Designation and Series</td>
<td></td>
</tr>
<tr>
<td>202</td>
<td>Purpose</td>
<td>2</td>
</tr>
<tr>
<td>203</td>
<td>Date of 19 Series Bonds</td>
<td>2</td>
</tr>
<tr>
<td>204</td>
<td>Maturity and Interest Rate</td>
<td>2</td>
</tr>
<tr>
<td>205</td>
<td>Interest Payments</td>
<td>2</td>
</tr>
</tbody>
</table>

* This Table of Contents was not part of the Resolution as adopted.
## PAGE

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>206</td>
<td>Denominations, Numbers and Letters</td>
<td>3</td>
</tr>
<tr>
<td>207</td>
<td>CUSIP Numbers</td>
<td>3</td>
</tr>
<tr>
<td>208</td>
<td>Places of Payment and Paying Agents</td>
<td>3</td>
</tr>
<tr>
<td>209</td>
<td>Optional Redemption of 19 Series Bonds and Terms</td>
<td>4</td>
</tr>
<tr>
<td>210</td>
<td>Sinking Fund Installments</td>
<td>4</td>
</tr>
<tr>
<td>211</td>
<td>Selection by Lot</td>
<td>5</td>
</tr>
<tr>
<td>212</td>
<td>Sale of the 19 Series Bonds</td>
<td>5</td>
</tr>
</tbody>
</table>

## ARTICLE III

**Forms and Execution of 19 Series Bonds and Coupons**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>301</td>
<td>Forms of Bonds and Coupons of 19 Series Bonds</td>
<td>5</td>
</tr>
<tr>
<td>302</td>
<td>No Recourse on 19 Series Bonds</td>
<td>24</td>
</tr>
<tr>
<td>303</td>
<td>Execution and Authentication of 19 Series Bonds</td>
<td>24</td>
</tr>
</tbody>
</table>

## ARTICLE IV

**Miscellaneous**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>401</td>
<td>Special Covenants</td>
<td>25</td>
</tr>
<tr>
<td>402</td>
<td>State Covenant</td>
<td>26</td>
</tr>
<tr>
<td>403</td>
<td>Authorized Officers</td>
<td>27</td>
</tr>
<tr>
<td>404</td>
<td>When Effective</td>
<td>27</td>
</tr>
</tbody>
</table>
19 SERIES RESOLUTION AUTHORIZING
UP TO $19 SERIES BONDS

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

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. 19 SERIES Resolution. This 19 Series Resolution Authorizing up to $19 Series Bonds is supplemental to, and constitutes a Series Resolution within the meaning of and is adopted in accordance with Article X of, the resolution adopted by the Corporation on November 25, 1975, entitled “Second General Bond Resolution” and referred to herein as the “Resolution”.

SECTION 102. Definitions. (a) All terms which are defined in Section 101 of the Resolution shall have the same meanings, respectively, in this 19 Series Resolution Authorizing up to $19 Series Bonds as such terms are given in said Section 101 of the Resolution.

(b) In addition, as used in this 19 Series Resolution Authorizing up to $19 Series Bonds, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement dated as of November 1, 1978, by and among the Corporation, the commercial banks, savings banks, insurance companies and New York City pension funds listed in Schedule I thereto.

“19 Series Bonds” shall mean the Bonds authorized by Article II of this 19 Series Resolution.

“19 Series Resolution” shall mean this 19 Series Resolution Authorizing up to $19 Series Bonds.

“Purchasers” shall mean*

(c) 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, but shall not include the Corporation.

* Comprised of either the commercial banks, savings banks and insurance companies listed in Schedule I to the Bond Purchase Agreement (other than the insurance companies listed in Schedule II thereto) or the New York City pension funds listed in Schedule I to the Bond Purchase Agreement.
(d) The terms "hereby," "hereof," "hereto," "herein," "hereunder,"
and any similar terms, as used in this 19 Series Resolution, refer to this 19 Series Resolution.

SECTION 103. Authority for the 19 Series Resolution. The 19 Series Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF
19 SERIES BONDS

SECTION 201. Authorization of 19 Series Bonds, Principal Amount, Designation and Series. The 19 Series Bonds are hereby authorized to be issued in the aggregate principal amount of up to $[amount] pursuant to and subject to the terms, conditions and limitations established in the Resolution and this 19 Series Resolution and shall be deemed to be Term Bonds within the meaning of the Resolution. In addition to the title “Bonds”, such Series of Bonds shall bear the additional designation of “19 Series ” and each as so designated shall be entitled “19 Series Bond” and may be issued in coupon form payable to bearer and registrable as to principal only or in fully registered form.

SECTION 202. Purpose. [description of lawful purposes to be added]

SECTION 203. Date of 19 Series Bonds. The 19 Series Bonds shall be dated , 19 , except as otherwise provided in Section 301 of the Resolution with respect to certain registered 19 Series Bonds issued on or after the first interest payment date. Registered 19 Series Bonds issued prior to the first interest payment date thereof shall be dated , 19 .

SECTION 204. Maturity and Interest Rate. The 19 Series Bonds shall mature on and in the aggregate principal amount of up to $[amount] and shall bear interest at the rate of % per annum.

SECTION 205. Interest Payments. The 19 Series Bonds shall bear interest from , 19 payable on January 1, 19 , and July 1, 19 and semi-annually thereafter on January 1 and July 1, in each year, to the date of maturity or earlier redemption, and thereafter shall bear interest at the same rate until the Corporation’s obligation with respect to the payment of the principal sum on said 19 Series Bonds is discharged.
SECTION 206. Denominations, Numbers and Letters. The 19 Series Bonds shall be issued in the denomination of $5,000 or $100,000 in the case of 19 Series Bonds in coupon form payable to bearer and in the denomination of $5,000 or an integral multiple of $5,000 in the case of 19 Series Bonds in fully registered form without coupons. The 19 Series Bonds in coupon form in the denomination of $5,000 shall be numbered and 19 Series Bonds in coupon form in the denomination of $100,000 shall be numbered and lettered C- and the 19 Series Bonds in fully registered form without coupons shall be numbered and lettered R-, in each case followed by the number of the 19 Series Bond. 19 Series Bonds in coupon form so designated shall be numbered consecutively from 1 upwards and 19 Series Bonds in fully registered form so lettered shall be numbered consecutively from 1 upwards in order of issuance. Any 19 Series Bond in coupon form payable to bearer surrendered to the Trustee in any exchange or transfer pursuant to Section 308 of the Resolution shall be cancelled forthwith by the Trustee upon its books, provided, however, the Trustee is authorized to retain any 19 Series Bonds in such coupon form so surrendered and to re-issue, if necessary, any such Bond so retained with unmatured coupons representing interest to become due attached thereto in exchange for a registered 19 Series Bond or Bonds in accordance with the provisions of Section 304 of the Resolution (any such 19 Series Bonds or coupons so retained by the Trustee shall not be deemed Outstanding while so retained).

SECTION 207. CUSIP Numbers. The Corporation is hereby authorized, in its discretion or if so requested by the Purchasers, to provide for the assignment of CUSIP numbers for the 19 Series Bonds and to have such CUSIP numbers printed thereon, and the Corporation may direct the Trustee to use such CUSIP numbers in notices of redemption and on checks payable to registered Bondholders as a convenience to Bondholders, provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the 19 Series Bonds or as contained in any notice of redemption.

SECTION 208. Places of Payment and Paying Agents. The principal and Redemption Price of, and interest on, the 19 Series Bonds in coupon form payable to bearer shall be payable at the following, hereby appointed Paying Agents hereunder: at the corporate trust office of , in the Borough of
Manhattan, City and State of New York, or at the option of the holder, at
in the City and County of San Francisco, State of California. The
interest on all registered 19 Series Bonds, and the principal and Re-
demption Price of all registered 19 Series Bonds and of all 19 Series
Bonds issued in coupon form payable to bearer and subsequently regis-
tered as to principal, shall be payable at the corporate trust office of the
Trustee.

SECTION 209. Optional Redemption of 19 Series Bonds and
Terms. (1) The 19 Series Bonds shall be subject to redemption at the
election of the Corporation, at any time on and after July 1, 19 , as a whole
on any date, or in part, by lot, on any interest payment date or dates, at the
Redemption Prices (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 Period</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dates Inclusive)</td>
<td></td>
</tr>
</tbody>
</table>

(2) The foregoing notwithstanding, no 19 Series Bond shall be re-
deemed at the election of the Corporation unless a sufficient amount of 19
Series Bonds* shall also be redeemed so that the ratios of Outstanding
19 Series Bonds to Outstanding 19 Series Bonds* immediately prior and immediately subsequent to giving effect to such redemption shall
remain substantially constant.

SECTION 210. Sinking Fund Installments. The 19 Series Bonds
maturing on , 19 shall be subject to redemption, in part, by
operation of the Bond Service Fund through application of Sinking Fund
Installments as provided in the Resolution commencing on July 1, , 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 19 Series Bond or portion thereof to be
redeemed, plus accrued interest, if any, to the date of redemption. Unless
none of the 19 Series Bonds shall then be Outstanding and, subject to
the provisions of Section 605 of the Resolution permitting amounts to be

* Insert reference to other Series of Bonds being sold simultaneously pursuant to the
Bond Purchase Agreement.
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 19 Series Bonds, on July 1 of each of the years set forth in the following table, the amount set forth opposite such year in said table, and the said amount to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of the 19 Series Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
</table>

SECTION 211. Selection by Lot. If less than all of the 19 Series Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in accordance with Section 404 of the Resolution.

In giving effect to any redemption by lot pursuant to the Resolution, the Trustee shall use such method as it shall determine to be efficient and equitable in assuring that coupon Bonds in a denomination other than $5,000 are subject to redemption in $5,000 increments in the same manner as coupon Bonds in the denomination of $5,000 or registered Bonds.

SECTION 212. Sale of the 19 Series Bonds. (1) The 19 Series Bonds shall be sold to the Purchasers at a price of par plus accrued interest to the date of delivery.

(2) The Chairman or Executive Director of the Corporation is hereby authorized to sign and deliver to the Purchasers a final Official Statement in substantially the form submitted to this meeting with such changes, corrections, deletions and additions as he shall deem advisable.

(3) The 19 Series Bonds authorized to be issued herein shall be issued and delivered to the Purchasers upon payment therefor to the Trustee for the account of the Corporation in accordance with the Bond Purchase Agreement and the Resolution.

ARTICLE III

FORMS AND EXECUTION OF 19 SERIES BONDS AND COUPONS

SECTION 301. Forms of Bonds and Coupons of 19 Series Bonds. Subject to the provisions of the Resolution, the 19 Series Bonds in coupon form and coupons to be attached thereto and the 19 Series 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:
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 (hereinafter sometimes referred to as the "State"), 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) [One Hundred Thousand Dollars ($100,000)] on the first day of July, ____, unless redeemed prior thereto as hereinafter provided, and to pay interest thereon at the rate of ____ per centum ( %) per annum, payable on January 1, 19____ and on July 1, 19____ and semi-annually thereafter on January 1 and July 1, in each year, from the date hereof to the date of maturity or earlier redemption of this Bond and thereafter at the same rate, until the Corporation's obligation with respect to the payment of such principal shall be discharged, but with respect to interest due on or before the maturity of this Bond only 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 , in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at , in the City and County of San Francisco, State of California. The principal of this Bond, if registered, is payable only at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York as trustee under the resolution of the Corporation adopted November 25, 1975, as supplemented, entitled "Second General Bond Resolution" (herein called the "Second General Bond Resolution"), or its successor as trustee (herein called the "Trustee"), in like coin or currency.

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

The Bonds are general obligations of the Corporation payable out of any payments to the Corporation pursuant to Sections 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 (hereinafter sometimes referred to as the "City") 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 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 and in certain other resolutions of the Corporation, 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 "19 Series Bonds" (herein called the "19 Series Bonds"), issued in the aggregate principal amount of up to $19,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation adopted 19, entitled "19 Series Resolution Authorizing up to $19 Series Bonds" (said resolutions being herein collectively called the "Resolutions"); for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of the Trustee and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 19 Series Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 19 Series Bonds with respect thereto and the terms and conditions upon which the 19 Series Bonds are issued and may be issued thereunder.
Pursuant to the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York (Chapter 868 of the Laws of New York of 1975) as amended (herein called the “Control Act”), the State has authorized and requires the Corporation to include in any agreement made by the Corporation with holders of its bonds issued, after September 28, 1978, including the 19 Series Bonds, and the Corporation hereby includes in this 19 Series Bond, a pledge and agreement of the State that it will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 19 Series Bonds are issued, (i) to approve, disapprove, or modify any financial plan or financial plan modification including the revenue projections (or any item therefor) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 19 Series Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the city or a covered organization (each as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or long-term borrowing of the city or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of city revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the city or the covered organizations and proposed short-term or long-term borrowings of the city and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the city; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Emergency Act as in effect on the date the 19 Series Bonds are issued; (f) substantially modify the requirement that the city’s financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 19 Series Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with
respect to a holder of a 19 Series Bond, if at any time (i) there is on deposit in a separate trust account with a bank trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption in accordance with their terms, all principal of and interest on all outstanding 19 Series Bonds and irrevocable instructions from the Corporation, respectively, to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) the 19 Series Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 19 Series Bond is in full force and effect.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amending 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 19 Series 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 19 Series Bonds are issuable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 19 Series Bonds. Coupon 19 Series 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 coupon 19 Series Bonds and/or registered 19 Series Bonds of any of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered 19 Series 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 19 Series Bonds with appropriate coupons attached, and/or 19 Series Bonds without coupons of any other authorized denominations.

The 19 Series Bonds are not subject to redemption prior to July 1, 1919.

The 19 Series Bonds shall be subject to redemption at the election of the Corporation, at any time on or after July 1, 1919, as a whole on any date, or in part, by lot, on any interest payment date, at the Redemption Prices (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 Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
</table>

The 19 Series Bonds are also subject to redemption, in part, by lot, as provided in the Resolutions, on July 1 in each of the years and in the amounts set forth below, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, to the date of redemption, from

* Date to be the earliest of optional redemption or sinking fund installments.
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 principal amount of such 19 Series Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
</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, if any, to the date of such purchase, 19 Series Bonds payable from such Sinking Fund Installment and apply any 19 Series Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 19 Series 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 19 Series Bonds or portions of the 19 Series 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 19 Series Bonds. Notice of redemption having been given, as aforesaid, the 19 Series 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 19 Series Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 19 Series Bonds maturing subsequent to the redemption date shall be void.

The 19 Series 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 19 Series Bonds be payable out of any funds other than those of the Corporation.

This 19 Series 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 19 Series Bond, or of any coupon appurtenant hereto, by accepting this 19 Series Bond or coupon shall be conclusively deemed to have agreed that this 19 Series Bond or coupon is fully negotiable for those purposes.

Neither this 19 Series Bond nor any coupon 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 other person executing the 19 Series 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 19 Series Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 19 Series 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 19 Series 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 , 19 .

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

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

[SEAL]

Attest:

.................................
Secretary

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

This Bond is one of the Bonds described in the within-mentioned Resolutions and is one of the 19 Series Bonds of the Municipal Assistance Corporation For The City of New York.

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 , in the Borough of Manhattan, City and State of New York, or at the option of the holder at , in the City and County of San Francisco, State of California, upon presentation and surrender of this coupon, being the interest then due on its 19 Series Bonds, No. [No. C- ]

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

Provisions for Registration

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

| Date of Registration | Name of Registered Holder | Authorized Signature |
(FORM OF REGISTERED 19 SERIES BOND)

[FACE OF 19 SERIES BOND]

No. R- $ ............

% Due July 1, 19

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

19 SERIES 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 (herein and on the reverse side hereof sometimes called the “State”) 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 at the rate of ....... per centum ( %) per annum, payable on January 1, 19 .... and on July 1, 19 .... and semi-annually thereafter on January 1 and July 1, in each year, from the date shown below to the date of maturity or earlier redemption of this Bond and thereafter at the same rate, 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 “19 Series Bonds”) shall not be a debt of either the State of New York or The City of New York (herein and on the
reverse side hereof sometimes called the "City"), and neither the State of New York nor The City of New York shall be liable thereon, nor shall the 19 Series Bonds be payable out of any funds other than those of the Corporation.

This 19 Series 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 other person executing the 19 Series 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 19 Series Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 19 Series 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 19 Series 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 first day of , 19.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

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

[SEAL]

Attest:

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

This Bond is one of the 19 Series Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, Trustee

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

Authorized Signature

[Reverse of Form of Registered 19 Series Bond]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

19 SERIES BOND

% Due July 1, 19

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, as supplemented, 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 Sections 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 inter-
est 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 and in certain other resolutions of the Corporation, 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 "19 Series Bonds" (herein called the "19 Series Bonds"), issued in the aggregate principal amount of up to $19,500,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted, entitled "19 Series Resolution Authorizing up to $19 Series Bonds" (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 19 Series Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 19 Series Bonds with respect thereto and the terms and conditions upon which the 19 Series Bonds are issued and may be issued thereunder.

Pursuant to the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York (Chapter 868 of the Laws of New York of 1975) as amended (herein called the "Control Act"), the State has authorized and required the Corporation to include in any agreement made by the Corporation with holders of its bonds issued after September 28, 1978, including the 19 Series Bonds, and the Corporation hereby includes in this 19 Series Bond, a pledge and agreement of the State that it will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 19 Series Bonds are issued, (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 19 Series Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or
long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of city revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with section thirteen of the Control Act as in effect on the date the 19 Series Bonds are issued; (f) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 19 Series Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to a holder of a 19 Series Bond if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all outstanding 19 Series Bonds and irrevocable instructions from the Corporation, to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) the 19 Series Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 19 Series Bond is in full force and effect.

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 Gen-
eral Bond Resolution), or, in case less than all of 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 19 Series 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 19 Series Bond or Bonds and/or, at the option of the transferee, a coupon 19 Series Bond or Bonds with appropriate coupons attached, of the same aggregate principal amount and interest rate as the surrendered 19 Series Bond, as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this 19 Series 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 19 Series Bonds are issueable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 19 Series Bonds. Coupon 19 Series 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 coupon 19 Series Bonds and/or registered 19 Series Bonds of any of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered 19 Series 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 19 Series Bonds with appropriate coupons attached, and/or 19 Series Bonds without coupons of any other authorized denominations.

The 19 Series Bonds are not subject to redemption prior to July 1, 19 .

The 19 Series Bonds shall be subject to redemption at the election of the Corporation, at any time on and after July 1, 19 , as a whole on any date, or in part, by lot, on any interest payment date or dates, at the following Redemption Prices (expressed as a percentage of the principal amount) plus accrued interest, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
</table>

The 19 Series Bonds are also subject to redemption, in part by lot as provided in the Resolutions, on July 1 in each of the years and in the amounts set forth below, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, 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 principal amount of such 19 Series Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
</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, if any, accrued to the date of such purchase, 19 Series Bonds payable from such Sinking Fund Installment and apply any 19 Series Bonds so purchased as a credit against such Sinking Fund Installment.
In the event that any or all of the 19 Series 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 19 Series Bonds or portions of the 19 Series 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 19 Series Bonds. Notice of redemption having been given, as aforesaid, the 19 Series Bonds or portions thereof so called for redemption shall become due and payable at the applicable Redemption Price hereinafter provided, and, from and after the date so fixed for redemption, interest on the 19 Series Bonds or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 19 Series Bonds maturing subsequent to the redemption date shall be void.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations (additional abbreviations may also be used though not in the following list):

TEN COM—as tenants in common
TEN ENT—as tenants by the entirety
JT TEN—as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT—
(Cust) Custodian
(Min) Under Uniform Gifts to Minors Act
(State)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Please Insert Social Security or Other Identifying Number of Assignee
(For computer record only)
Please Print or Typewrite Name and Address of Transferee

the within 19 Series Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within 19 Series 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 19 Series Bond in every particular, without alteration or enlargement or any change whatever.

SECTION 302. No Recourse on 19 Series Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the 19 Series Bonds or for any claim based thereon or on the 19 Series Resolution against any member or officer of the Corporation or any person executing the 19 Series Bonds and neither the Directors of the Corporation nor any other person executing the 19 Series 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 19 Series 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 19 Series Bonds in the name of the Corporation and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The Secretary or an Assistant Secretary of the Corporation is hereby authorized and directed to attest by his manual or facsimile signature the execution of the 19 Series Bonds.

The Trustee is hereby authorized to authenticate by manual or facsimile signature the 19 Series Bonds, and deliver the same to or upon the order of the Corporation, in such amounts and at such times as the Trustee shall be directed in writing by an Authorized Officer.
ARTICLE IV

MISCELLANEOUS

SECTION 401. Special Covenants. (1) As used in this subsection (1) all defined terms other than 19 Series Bonds are as defined in the First General Bond Resolution. The Corporation covenants hereby with the holders of the 19 Series Bonds that it shall not issue any Bonds, Notes or Other Obligations which would cause 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, and the principal of and interest on Notes and the interest on Other Obligations to be paid in any one Fiscal Year to exceed four hundred twenty-five million dollars. Notwithstanding the foregoing sentence, with respect to up to an aggregate principal amount of twenty-five million dollars of small denomination Notes, as defined in the First General Bond Resolution, for purposes of the foregoing test, debt service shall be determined by assuming that a pro rata amount of such Notes will be redeemed in each Fiscal Year during the period from the date of issuance to the stated date of maturity and interest will accrue on such Notes from the date of issuance and be paid at such assumed dates of redemption; provided, however, that such debt service shall be so determined in such manner only if the resolution or other instrument authorizing the issuance of such small denomination Notes requires the Corporation to deposit annually in a sinking fund established for the payment of such small denomination Notes an amount at least equal to such pro rata amount and interest thereon.

(2) The Corporation covenants further hereby with the holders of the 19 Series Bonds that it shall not issue any additional Bonds unless, in addition to the certificates required pursuant to subsection 3 of Section 202 of the Resolution, it delivers to the Trustee at the time of the delivery of such additional Bonds a certificate of an Authorized Officer setting forth that the aggregate of the amounts set forth in paragraphs (1) and (2) of such subsection 3 after deducting the amount set forth pursuant to paragraph (3)(a) of such subsection and the Operating Expenses set forth pursuant to paragraph (3)(c) of such subsection, will be at least 2.0 times the aggregate amount set forth in (3)(b) of such subsection for each Fiscal Year.

(3) The Corporation shall publish (a) within forty-five days after the end of each calendar quarter on an unaudited basis and (b) within ninety days after the end of each Fiscal Year, on the basis of an audit conducted by independent certified public accountants of recognized national standing, a statement of financial position of the Corporation at the end of the period,
and the related debt service funds and capital reserve fund statement of transactions and the operating fund statement of transactions for the period then ended, together with notes and exhibits thereto, similar in form to the notes and exhibits (which in any case shall include exhibits showing (i) all Bonds and Notes of the Corporation then outstanding, (ii) a summary of annual debt service funding requirements, and (iii) a summary of total annual debt service payment requirements) published by the Corporation for the Fiscal Year ended June 30, 19 , and both such audited and unaudited financial statements to be prepared in accordance with generally accepted accounting principles consistently applied.

SECTION 402. **State Covenant.** (1) In accordance with the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York, being chapter 868 of the Laws of New York of 1975, as amended to the date hereof (herein called the “Control Act”), the Corporation hereby includes in this 19 Series Resolution the pledge and agreement of the State with the holders of the 19 Series Bonds that the State will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 19 Series Bonds are issued (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 19 Series Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (each as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be deter-
minded in accordance with Section thirteen of the Control Act as in effect on the date the 19 Series Bonds are issued; (f) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 19 Series Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reissue or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to the holder of 19 Series Bonds if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all outstanding 19 Series Bonds and irrevocable instructions from the Corporation, to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) the 19 Series Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 19 Series Bond is in full force and effect.

(2) If the State shall take any action which is described in Section 402(1) hereinbefore, as an action which the State will not take the Trustee may, on advice of counsel, (i) by suit, action or proceeding in accordance with the New York Civil Practice Law and Rules enforce all rights of Bondholders and (ii) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of Bondholders.

SECTION 403. Authorized Officers. In addition to those persons defined in Section 101 of the Resolutions as Authorized Officers, the Deputy Executive Director, Treasurer, Counsel, Secretary and Assistant Secretary of the Corporation are each hereby authorized to issue and deliver the 19 Series Bonds and apply the proceeds thereof and to deliver and execute in the name and on behalf of the Corporation any certification, opinion, record or other document required by or authorized pursuant to the Resolution, this 19 Series Resolution or the Bond Purchase Agreement in connection with the issuance of the 19 Series Bonds.

SECTION 404. When Effective. The 19 Series Resolution shall become effective immediately upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.
CERTIFICATE OF THE MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

, the Chairman [Executive Director] of the Municipal Assistance Corporation For The City of New York (the “Corporation”), hereby certifies that:

1. The Corporation has performed all of its agreements to be performed on or prior to the date hereof pursuant to the Bond Purchase Agreement dated as of November 15, 1978 among the Corporation and the several Purchasers named in Schedule I thereto (the “Bond Purchase Agreement”), the Corporation’s Second General Bond Resolution adopted November 25, 1975, as amended and supplemented (the “Second Bond Resolution”) and [description of Series Resolution to date] (together with the Second Bond Resolution, the “Resolutions”). After giving effect to the issuance of Bonds (as defined in the Bond Purchase Agreement) on the date hereof, the Corporation will be in compliance with the provisions of Section 4.3 of the Bond Purchase Agreement.

2. The representations and warranties of the Corporation in Section 2 of the Bond Purchase Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof.

3. No event or condition which constitutes an event of default under the Second Bond Resolution, the First Bond Resolution (as defined in the Bond Purchase Agreement) or any other resolution pursuant to which the Corporation has issued bonds, notes or other evidences of indebtedness, and no event or condition which, with the passage of time or the giving of notice or both, would constitute such an event of default, has occurred and is continuing.

4. The Corporation is not in default in (a) the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued, assumed or guaranteed by the Corporation, (b) the payment of any amounts payable under any lease, mortgage or conditional sale arrangement securing with the consent of the Corporation the payment of any indebtedness of a public benefit corporation or other governmental agency, instrumentality or body for borrowed money [(except to the extent that the obligation to make such payment is being disputed in good faith and, if appropriate, contested in proceedings diligently conducted and there is no default in the payment of the principal of or interest on the secured indebtedness)] or (c) the performance or observance of any covenant or a condition under the
Resolutions, the Bond Purchase Agreement or the Agreement to Guarantee.

5. No bankruptcy, insolvency or other similar proceedings or moratorium or similar legislation in respect of the Corporation or its obligations is pending or, to the best of my knowledge, contemplated.

6. The prospects for payment of the principal of or premium, if any, or interest on the Bonds when due have not been materially adversely affected since the date of the Bond Purchase Agreement by the existence of a lien, claim, charge or encumbrance (other than as described in the Official Statement delivered in connection with the execution of the Bond Purchase Agreement) or by any legislative, executive or other action or inaction by any Governmental Authority (as defined in the Bond Purchase Agreement), such as but not limited to a failure to appropriate Per Capita Aid, Sales Taxes or Stock Transfer Taxes, each as defined in the Second Bond Resolution, but in any case excluding the issuance by the Corporation of its bonds and notes as permitted by the Resolutions, the First Bond Resolution and the Bond Purchase Agreement.

7. To the best of my knowledge, no Governmental Authority has taken or failed to take any legislative, executive or other action, and no formal declaration by the State Senate, Assembly or Governor or the Corporation has been made, so as to materially adversely affect the prospects that the State will make payments pursuant to Section 3036-a.3 of the MAC Act (as defined in the Bond Purchase Agreement), at the times and to the extent contemplated by such Section.

8. The Bonds and the Resolutions conform in all material respects to the description thereof in the Corporation's Official Statement dated , 19 [as amended or supplemented to the date hereof] (the "Official Statement").

9. The Official Statement does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

10. Nothing has come to the Corporation's attention which would indicate that any of the conditions specified in Section 3 of the Bond Purchase Agreement has not been satisfied as of the date hereof.

IN WITNESS WHEREOF, I have set forth my hand this day of , 19 .

Chairman [Executive Director] of the Municipal Assistance Corporation For The City of New York
NEW YORK STATE FINANCIAL CONTROL BOARD

, the Executive Director of the New York State Financial Control Board (the “Control Board”), hereby certifies for and on behalf of the Control Board as follows:

1. On , the Control Board approved a financial plan (the “Financial Plan”) which (i) with respect to the City and the Board of Education of the City, covers Fiscal Year 1979 through Fiscal Year 1982 and was determined by the Control Board to be consistent with applicable provisions of Section 8 of the New York State Financial Emergency Act for The City of New York, as amended (the “Act”), and (ii) with respect to the covered organizations (as defined in the Act) other than the Board of Education of the City, covers Fiscal Year 1979 and, to that extent, was determined by the Control Board to be consistent with applicable provisions of Section 8 of the Act.

2. The Financial Plan is based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which the Control Board has determined are reasonable and appropriate for purposes of fulfilling its statutory obligations under the Act to review and approve or disapprove a financial plan and financial plan modifications. On the basis of such assumptions and methods of estimation, the Financial Plan currently projects (a) that Total Revenues of the City during the current Fiscal Year will be $ and that the City will not incur a Deficit during the current Fiscal Year and (b) that actual and anticipated seasonal borrowings of the City during the current Fiscal Year will aggregate up to $ , which is equal to % of projected Total Revenues. [As of (insert date which is within 10 days of the Closing Date) the Control Board determined, pursuant to its statutory obligations under the Act, that no further modification of the Financial Plan would then be required.]

* This sentence to be included only if the Financial Plan was not approved by the Control Board within 10 days of the Closing Date.
3. In the judgment of the Control Board, the City is in substantial compliance with all outstanding orders of the Control Board.

4. The Control Board is not aware of any violation of the Act by the City which would substantially impair the ability of the City to adopt or maintain a budget balanced in accordance with the provisions of the Act during each of the Fiscal Years covered by the Financial Plan.

5. As used herein the terms "Deficit" and "Total Revenues" have the meanings set forth in Section 3.7 of the Bond Purchase Agreement dated as of November 15, 1978 among the Municipal Assistance Corporation For The City of New York and the Purchasers named in Schedule I thereto.

IN WITNESS WHEREOF, I have hereunto set forth my hand this day of , 19 .

NEW YORK STATE FINANCIAL CONTROL BOARD

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

Executive Director
NEW YORK STATE FINANCIAL CONTROL BOARD

, the Executive Director of the New York State Financial Control Board (the “Control Board”), hereby certifies for and on behalf of the Control Board as follows:

1. On , the Control Board approved a financial plan for the City and the covered organizations, as that term is defined in the New York State Financial Emergency Act for The City of New York, as amended (the “Act”), which it determined was consistent with applicable provisions of Section 8 of the Act and which covers Fiscal Year [fiscal year of closing] through Fiscal Year [fiscal year three years thereafter]. On (insert the date of approval of each subsequent financial plan modification) the Control Board approved modifications to such financial plan and determined that such financial plan, as modified, was consistent with applicable provisions of Section 8 of the Act)* (such financial plan [, as modified,] is hereafter referred to as the “Financial Plan”).

2. The Financial Plan is based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which the Control Board has determined are reasonable and appropriate for purposes of fulfilling its statutory obligations under the Act to review and approve or disapprove a financial plan and financial plan modifications. On the basis of such assumptions and methods of estimation, the Financial Plan currently projects (a) that Total Revenues of the City during the current Fiscal Year will be $ and that the City will not incur a Deficit during the current Fiscal Year [or, when applicable, that the City will incur a Deficit during the current Fiscal Year of $ , which is equal to % of projected Total Revenues], [and] (b) that actual and anticipated seasonal borrowings of the City during the current Fiscal Year will aggregate up to $ , which is equal to % of projected Total Revenues [and (c) that Displaced Revenues during the current Fiscal Year will aggregate $ , which is equal to % of projected Total Revenues]. [As of (insert date which is within 10 days of the Closing Date) the Control Board determined, pursuant to its statutory obligations under the Act, that no further modification of the Financial Plan would then be required.]*

* This sentence to be included only if the Financial Plan was not approved by the Control Board within 10 days of the Closing Date.
3. On the basis of [description of then available audited financial reports of the City for each Fiscal Year beginning with Fiscal Year 1978], in the judgment of the Control Board the City has made substantial progress in each such Fiscal Year since Fiscal Year 1978 toward achieving [or the City has achieved] a budget prepared and balanced so that the results thereof would not show a deficit when reported in Fiscal Year 1982 and thereafter in accordance with generally accepted accounting principles, subject to the provisions of Section 8.2-a of the Act.

4. In the judgment of the Control Board, the City is in substantial compliance with all outstanding orders of the Control Board.

5. The Control Board is not aware of any violation of the Act by the City which would substantially impair the ability of the City to adopt or maintain a budget balanced in accordance with the provisions of the Act during each of the Fiscal Years covered by the Financial Plan.

6. As used herein, the terms “Deficit” and “Total Revenues” have the meanings set forth in Section 3.7 of the Bond Purchase Agreement dated as of November 15, 1978 among the Municipal Assistance Corporation For The City of New York and the Purchasers named in Schedule I thereto.

IN WITNESS WHEREOF, I have hereunto set forth my hand this day of ________, 19__.

NEW YORK STATE FINANCIAL CONTROL BOARD

By ........................................
Executive Director

* This sentence to be included only if the Closing Date is before the issuance of audited financial statements of the City for the prior Fiscal Year.
EXHIBIT E

CERTIFICATE OF THE COMPTROLLER OF
THE STATE OF NEW YORK

The Comptroller of the State of New York, hereby certifies as follows:

1. The State is not in default in (a) the payment of the principal of or premium, if any, or interest on any note, bond or other evidence of indebtedness issued or guaranteed by the State or (b) the payment of any amounts payable under any lease or other arrangement securing the payment of any indebtedness of a public benefit corporation or other governmental agency or body for borrowed money [(except to the extent that the obligation to make such payment is being disputed in good faith and, if appropriate, contested in proceedings diligently conducted and there is no default in the payment of the principal of or interest on the secured indebtedness)].

2. No bankruptcy, insolvency or similar proceeding or moratorium or similar legislation in respect of the State or any of its obligations is pending or, to the best of my knowledge, contemplated.

IN WITNESS WHEREOF, I have set forth my hand this day of , 19 .

........................................
Comptroller of
The State of New York
EXHIBIT F

CERTIFICATE OF THE CITY OF NEW YORK

, the First Deputy Comptroller of The City of New York (the "City"), and the Director of Management and Budget of the City, hereby certify on behalf of the City and to the best of their knowledge and belief as follows:

1. The City is not in default in (a) the payment of the principal of or premium, if any, or interest on any note, bond or other evidence of indebtedness issued, assumed or guaranteed by the City, (b) the payment of any amounts payable under any lease, mortgage or conditional sale arrangement securing with the consent of the City the payment of any indebtedness of a public benefit corporation or other governmental agency, instrumentality or body for borrowed money [(except to the extent that the obligation to make such payment is being disputed in good faith and, if appropriate, contested in proceedings diligently conducted and there is no default in the payment of the principal of or interest on the secured indebtedness)], or (c) the performance or observance of any covenant or condition under the Adherence Agreement dated November 15, 1978 between the City and the Purchasers referred to therein (the "Adherence Agreement"), the Agreement to Guarantee dated as of November 15, 1978 among the United States of America, acting by and through the Secretary of the Treasury (the "Secretary"), the State of New York, the City, the New York State Financial Control Board (the "Control Board") and the Municipal Assistance Corporation For The City of New York (the "Agreement to Guarantee") or the Guaranteed Bond Purchase Agreement dated as of November 15, 1978 among the City, the City and State pension funds named therein and the Secretary.

2. No agency, instrumentality or public benefit corporation of the City (as to which statutory provision has been made whereby the City may appropriate funds to be paid into a capital reserve or similar fund in order to provide moneys for the payment of any bond, note or other evidence of indebtedness of such agency, instrumentality or public benefit corporation) is in default in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness constituting a general obligation of such agency, instrumentality or public benefit corporation.
3. No bankruptcy, insolvency or other similar proceeding or moratorium or similar legislation in respect of the City or any agency, instrumentality or public benefit corporation referred to above or any of their respective obligations is pending or contemplated.

4. The representations and warranties of the City in the Adherence Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof.

5. No bonds or bond anticipation notes have been issued to fund expense items which were included in the City's capital budget for any Fiscal Year after Fiscal Year 1978 in excess of the amounts permitted under Section 6.13 of the Agreement to Guarantee; the amounts included are consistent with making substantial progress toward elimination of all such amounts from the City's capital budget for Fiscal Year 1982 and thereafter in accordance with Section 8.1.a of the New York State Financial Emergency Act for The City of New York, as amended.

6. The Monthly Financial Plan Statements for New York City (the "Monthly Statement"), submitted to the Secretary pursuant to Section 6.7.2 of the Agreement to Guarantee and to the Control Board, is based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which are reasonable and appropriate for purposes of such report. The most recent Monthly Statement dated forecasts that Total Revenues of the City during the current Fiscal Year will be $ and that the City will not incur a Deficit [or, when applicable, that the City will incur a Deficit during the current Fiscal Year of $ which is equal to % of forecasted Total Revenues]. Such Monthly Statement forecasts that seasonal borrowing of the City during the current Fiscal Year will aggregate $ , which is equal to % of such Total Revenues.*

7. Although all forecasts are based on assumptions concerning future events which cannot be predicted with certainty, and no certification can be given that the forecasted results will in fact be achieved, the undersigned have no knowledge or notice of events subsequent to those addressed by such Monthly Statement which, in their judgment, if reflected in such Monthly Statement restated as of the date of this certificate, would result in a forecast for the current Fiscal Year of a Deficit in excess of 2% of Total Revenues or aggregate seasonal borrowings in excess of 9% [or, if appropriate, 10%] of Total Revenues.*

* In the event the Closing Date occurs in the first two months of a Fiscal Year, these paragraphs shall refer to the Financial Plan of the City approved by the Control Board instead of the Monthly Statement.
8. The Financial Plan of the City in effect at the end of Fiscal Year (insert prior Fiscal Year) as approved by the Control Board, projected no Deficit in excess of 2% of Total Revenues for such Fiscal Year. Set forth in attachment A hereto are any material factors that have come to the attention of the undersigned which may cause the City's audited operating results to show a Deficit which is a greater percentage of Total Revenues than that shown in such Financial Plan, if any. Until the audited financial statements are available, the effect of such factors and other factors which may be identified by the City's auditors cannot be predicted with assurance. However, as of the date of this certificate and after careful consideration under the circumstances, nothing has come to the attention of the undersigned that would cause the undersigned to believe that there was a Deficit in Fiscal Year (insert prior Fiscal Year) in excess of 2% of Total Revenues.]

8[9]. As used herein, the terms "Deficit", and "Total Revenues" have the meanings set forth in Section 3.7 of the Bond Purchase Agreement dated as of November 15, 1978 among the Municipal Assistance Corporation For The City of New York and the Purchasers listed on Schedule I thereto.

* This paragraph to be included only if the Closing Date is before the issuance of audited financial statements of the City for the prior Fiscal Year.

THE CITY OF NEW YORK

Approved as to form:

................................. Corporation Counsel

By ................................. First Deputy Comptroller

By ................................. Director of Management
and Budget
[closing date]

To each of the Purchasers listed on Schedule I of the Bond
Purchase Agreement dated as of November 15, 1978

Dear Sirs:

We have been requested by our client, Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation (the “Corporation”), to furnish you our opinion as to the matters herein set forth in connection with the execution of a bond purchase agreement, dated as of November 15, 1978 (the “Agreement”), by and among the Corporation and each of you, severally, as purchasers, and the sale by the Corporation to you thereunder on the date hereof, of $ aggregate principal amount of the Corporation’s 19 Series Bonds (the “Bonds”). Unless the context otherwise requires, all capitalized terms used herein have the same meaning ascribed to them in the Agreement.
In this connection, we have examined the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, each as further amended (the “Act”), the New York State Financial Emergency Act For The City of New York, as amended (the “FCB Act”), the By-laws of the Corporation, records of its corporate proceedings, including the Second General Bond Resolution adopted by the Board of Directors of the Corporation on November 25, 1975 (the “Second Bond Resolution”), the 19... Series ... Resolution and the 19... Series ... Resolution each adopted by the Board of Directors of the Corporation on , 19... (the Second Bond Resolution and such Series Resolutions are herein collectively called the “Resolutions”), the Agreement and the schedules and exhibits annexed thereto, and have made such further examinations 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 (the “State”) constituting a public benefit corporation, duly created by and validly existing under the Act, with the right and power under the Act to execute and deliver and to perform its obligations under the Agreement and to adopt the Resolutions and to issue the Bonds thereunder.

2. The execution and delivery of, and the performance of the obligations under, the Agreement have been authorized by proper corporate proceedings of the Corporation and no other authorization for, or filing or recording of, the Agreement or the Bonds is required. The Agreement constitutes a valid and legally binding agreement of the Corporation enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, moratorium, insolvency or similar laws validly enacted and applicable to the rights created pursuant to the Agreement. The Resolutions have been duly and lawfully adopted by the Corporation and are in full force and effect and are valid and legally binding upon the Corporation and enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, moratorium, insolvency or similar laws validly enacted and applicable to the rights of the holders of the Bonds, and no other authorization for, or filing or recording of, the Resolutions is required. Anything in this opinion to the contrary notwithstanding, we express no opinion with respect to the State Covenant.
3. The Bonds have been duly authorized, executed, authenticated, issued and delivered and constitute valid, legally binding, direct and general obligations of the Corporation and are entitled to the benefits of the Resolutions except as enforceability may be limited by bankruptcy, moratorium, insolvency or similar laws validly enacted and applicable to the rights of holders of the Bonds.

4. The execution, delivery and performance of the Agreement, the Bonds and the Resolutions under the circumstances contemplated by 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, in each such case of which we have knowledge, to which the Corporation is subject or by which it is bound.

5. Except as referred to in Schedule IV of the Agreement or in a schedule annexed hereto, to the best of our knowledge, there is no action, suit, proceeding or investigation before or by any court, any legislature or governmental official, department, commission, board, bureau, agency, instrumentality or body or public benefit corporation, pending, or threatened, against the Corporation wherein an unfavorable decision, ruling or finding would (a) in any material respect impair the powers, limit the duties or shorten the duration of the Control Board, each as referred to in the State Covenant, (b) in any material respect limit the obligations of the City referred to in the State Covenant or contained in Section 9-a or 9-b of the FCB Act or the obligations of the City under the FCB Act to adopt and adhere to balanced budgets, to adopt and adhere to financial plans or to comply with orders of the Control Board, (c) declare the State Covenant or the Adherence Agreement invalid or unenforceable in whole or in material part, (d) in any other manner adversely affect provisions for or materially adversely affect sources for payment of the principal of or premium, if any, or interest on the Bonds as described in the Official Statement of the Corporation dated as of November 17, 1978 issued in connection with the execution of the Agreement, or (e) declare the Resolutions, the Act or the Corporation's obligations under the Bonds to be invalid or unenforceable in whole or in material part.

6. The issuance and delivery of the Bonds by the Corporation are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a) (2) of such Act and there is no requirement for
the qualification of the Resolutions or any indenture with respect to the Bonds pursuant to the Trust Indenture Act of 1939, as amended. The Bonds constitute "municipal securities" as such term is defined in the Securities Exchange Act of 1934, as amended.

All opinions rendered herein relating to the effect of the Constitution of the State, 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, of even date herewith addressed to the Corporation and delivered to you in accordance with the Agreement, and, although we have made no independent investigation with respect thereto, such opinion is in form and substance satisfactory to us, and we believe that you and we are justified in relying thereon.

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

DEAR SIRS:

We have examined a record of proceedings relating to the issuance of $ aggregate principal amount of 19 Series Bonds (the “19 Series 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 19 Series Bonds are authorized and issued under and pursuant to the Act and the Second General Bond Resolution of the Corporation, adopted November 25, 1975, as supplemented to the date hereof (the “Second General Bond Resolution”), and the 19 Series Resolution, adopted , 19 (the “Series Resolution”). Said resolutions are herein collectively called the “Resolutions”.

The 19 Series 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 Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corpo-
ration to limit the issuance of additional bonds. The 19 Series Bonds are being issued for the purpose set forth in the Series Resolution.

The Corporation is authorized to issue Bonds, in addition to the 19 Series Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 19 Series Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second General Bond Resolution.

The 19 Series Bonds are dated 1, 19 except as otherwise provided in the Resolution with respect to fully registered 19 Series Bonds, will bear interest from 1, 19 payable and semi-annually thereafter on July 1 and January 1 in each year at the rate of percentum ( %) per annum and will mature on July 1, 19.

The 19 Series Bonds are issued either in coupon form in the denomination of $5,000, registrable as to principal only, or in fully registered form without coupons in the denomination of $5,000 or an integral multiple thereof. Coupon and fully registered 19 Series Bonds are interchangeable as provided in the Resolutions. Coupon 19 Series Bonds are numbered - and fully registered 19 Series Bonds are lettered and numbered R-. Coupon 19 Series Bonds and fully registered 19 Series Bonds are numbered consecutively from one upward in order of issuance.

The 19 Series Bonds are subject to redemption, in part, as provided in the Resolutions, by operation of the Bond Service Fund through application of Sinking Fund Installments as defined in the Second General Bond Resolution and in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each 19 Series Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the 19 Series Bonds are subject to redemption at the election of the Corporation on and after , as a whole on any date or in part, by lot, on any interest payment date, at the redemption prices (expressed as percentages of the principal amount), plus accrued interest, if any, to the date of redemption, as set forth in the Series Resolution.

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, the insertion 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 of New York, New York ("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 8 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 19 Series Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 19 Series Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the 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, except for the covenant on behalf of the State required to be set forth in each 19 Series Bond pursuant to Chapter 201 of the Laws of New York of 1978 (the "State Covenant"), as to which a separate opinion has been rendered on the date hereof, 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 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 subject to the pledge and lien created by the Resolutions.
3. The 19 Series 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 19 Series 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, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors’ rights or remedies generally, and, except as otherwise set forth with respect to the State Covenant, as to which a separate opinion has been rendered on the date hereof, 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, 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 such term is 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 avail-
able for apportionment and payment from the General Fund of the State
treasury and of such payments out of the Aid and Tax Assistance Funds to
the Corporation are subject to annual appropriation for such purposes by the
Legislature of the State which is empowered, but is not bound or obligated, to
appropriate any such amounts so certified by the Chairman, as aforesaid.

6. The 19 Series 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 19 Series Bonds be payable out of any funds other than
those of the Corporation.

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

(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 appro-
priation of per capita aid or to continue such procedure for apportion-
ment 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;
7

(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; and

(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 and the Special Tax Account within the Tax Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or accounts.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the per capita aid referred to hereinbefore or the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) wherein a creditor of The City or The City seeks to assert 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, neither The City nor such creditor will 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 applicable to 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 19 Series 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 19 Series Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 19 Series Bonds, and the execution and delivery of the 19 Series Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 19 Series Bond numbered -1, and, in our opinion, the form of said Bond and its execution are regular and proper.

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

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

Dear Sirs:

You have requested our opinion as to (i) the validity of the New York State Financial Emergency Act For The City of New York (Chapter 868 of the Laws of New York of 1975) as amended to the date hereof (the "Act") and (ii) the enforceability by a holder of obligations of the Municipal Assistance Corporation For The City of New York (the "Corporation") of the covenant of the State of New York (the "State") authorized and required to be included in certain of such obligations pursuant to Section 10-a of the Act (the "State Covenant") assuming the State Covenant is included in such obligations.

Although the matter is not free from doubt, we are of the opinion that a court of final jurisdiction would hold:

1. That the Act has been duly enacted, and under the Constitution and laws of the State, is valid; provided, however, that we express no opinion with respect to those portions of the Act relating to collective bargaining.

2. That the State Covenant is enforceable against the State by any holder of an obligation of the Corporation reciting the State Covenant, provided that the court in which enforcement is sought holds that its inclusion in such obligation constitutes an important security provision of such obligation.

The foregoing is limited to the extent that the enforceability of the Act or any part thereof is subject at all times to the proper exercise of the State's reserved police power.

Very truly yours,
United States Trust Company
of New York, as Trustee
130 John Street
New York, New York

The several Purchasers named in a
Bond Purchase Agreement dated as of
November 15, 1978 by and among
such Purchasers and the Municipal
Assistance Corporation For The
City of New York

Gentlemen:

We are bond counsel to the Municipal Assistance Corporation For The
City of New York (the "Corporation") and have this day delivered to such
Corporation an opinion dated the date hereof with respect to the issuance of
the 19 Series Bonds of the Corporation and an opinion dated the date
hereof with respect to the New York State Financial Emergency Act For The
City of New York, a copy of each of which is annexed hereto. You are
entitled to rely on said opinions as if the same were addressed to you.

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

Very truly yours,

* The bracketed portion of the above opinion is to be delivered on each
Closing Date in this opinion or in another supplemental opinion.
Chairman
Municipal Assistance Corporation
For The City of New York
New York, New York

Dear Mr. Chairman:

This is to acknowledge receipt of your letter of [ ] relating to the authorization, sale and issuance of the [ ] Series [ ] Bonds, dated [ ] in the aggregate principal amount of $[ ] (herein called "the [ ] Series [ ] Bonds") by the Municipal Assistance Corporation For The City of New York (herein called the "Corporation") to the Purchasers named in Schedule I (herein called the "Purchasers") to the Bond Purchase Agreement dated as of November 15, 1978 between the Purchasers and the Corporation (herein called the "Bond Purchase Agreement").

The Corporation is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation, created pursuant to Chapters 168 and 169 of the Laws of 1975 (herein referred to as the "Acts"), as amended by Chapters 868, 870, 874, 875, 889, and 891 of the Laws of 1975, by Chapters 185 and 456 of the Laws of 1977 and by Chapters 201, 466 and 777 of the Laws of 1978.

I have examined the pertinent provisions of the Constitution and statutes of the State of New York.

Based on the foregoing, it is my opinion that:

1. Article 10 of the Public Authorities Law of the State of New York, and the amendments to the Tax Law and the State Finance Law, added by Chapter 168 of the Laws of 1975, entitled "An Act to amend the public authorities law, in relation to municipal assistance corporations; to amend the tax law, in relation to the municipal sales and compensating use tax; and to amend the state finance law, in relation to the municipal assistance tax fund", and Title III of Article 10 of the Public Authorities Law and the amendments to the State Finance Law and the New York City Stabilization Reserve Corporation Act, added by Chapter 169 of the Laws of 1975, entitled "An Act
to amend the public authorities law, in relation to creating the municipal assistance corporation for The City of New York; to amend the state finance law, in relation to bonds and notes of such corporation; and to amend the public authorities law, in relation to the termination of the authority and existence of the New York city stabilization reserve corporation", were introduced in the New York State Legislature on June 9, 1975 (S6701-A8599, and S6702-A8600, respectively), were passed in both Senate and Assembly on June 9, 1975 on a Message of Necessity from the Governor and a Home Rule Message from The City of New York, and were approved by the Governor on June 10, 1975. The passage of these bills conforms to the provisions of Article III, § 14 and Article IX, § 2 of the Constitution of the State of New York. I conclude, therefore, that the Acts have been validly enacted and have become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and are in full force and effect.

By Chapter 868 of the Laws of 1975 (S.1 and A.1, Extraordinary Session), the above referenced Acts were amended. The amendment was passed in both Houses of the Legislature on September 8, 1975, on a Message of Necessity from the Governor and was approved by the Governor on September 9, 1975. The passage of this bill conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude, therefore, that the amendment has been validly enacted and has become law upon the Governor's approval in accordance with the Constitution and the laws of the State of New York and is in full force and effect.

By Chapter 870 of the Laws of 1975 (S.3 and A.3, Extraordinary Session), the above referenced Acts were further amended. The amendment was passed in both Houses of the Legislature on September 9, 1975 on a Message of Necessity from the Governor and was approved by the Governor on September 9, 1975. The passage of this bill conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude, therefore, that the amendment has been validly enacted and has become law upon the Governor's approval in accordance with the Constitution and the laws of the State of New York and is in full force and effect.

By Chapters 874 and 875 of the Laws of 1975 (S.5-A.5 and S.15-A.15, respectively, Extraordinary Session), the above referenced Acts were further amended. The amendments were passed in both Houses of the Legislature on November 14, 1975 on a Message of Necessity from the Governor and were approved by the Governor on November 14, 1975. The passage of these bills conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude, therefore, that the amendments have been
validly enacted and have become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and are in full force and effect.

By Chapter 889 of the Laws of 1975 (S.32 and A.32, Extraordinary Session), the above referenced Acts were further amended. The amendment was passed in both Houses of the Legislature on November 26, 1975 on a Message of Necessity from the Governor and was approved by the Governor on November 26, 1975. The passage of this bill conforms to the provisions of Article III, § 14 of the Constitution of the State of New York, and I conclude, therefore, that the amendment has been validly enacted and has become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and is in full force and effect.

By Chapter 891 of the Laws of 1975 (S.36 and A.36, Extraordinary Session), the above referenced Acts were further amended. The amendment was passed in both Houses of the Legislature on December 5, 1975 on a Message of Necessity from the Governor and was approved by the Governor on December 5, 1975. The passage of this bill conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude, therefore, that the amendment has been validly enacted and has become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and is in full force and effect.

By Chapter 185 of the Laws of 1977 (S.6371 and A.8710), the above referenced Acts were further amended. The amendment was passed in both Houses of the Legislature on May 31, 1977 and was approved by the Governor on June 1, 1977. The passage of this bill conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude, therefore, that the amendment has been validly enacted and has become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and is in full force and effect.

By Chapter 456 of the Laws of 1977 (S.6870 and A.8993), the above referenced Acts were further amended. The amendment was passed in the Assembly on July 7, 1977 and in the Senate on July 8, 1977 on a Message of Necessity from the Governor and was approved by the Governor on July 19, 1977. The passage of this bill conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I further conclude, therefore, that the amendment has been validly enacted and has become law upon the Governor's approval in accordance with the Constitution and the laws of the State of New York and is in full force and effect.
By Chapters 201 and 466 of Laws of 1978 (A.13025 and S.10146-A.12927, respectively), the above referenced Acts were further amended. The amendment which became Chapter 201 was passed in both Houses of the Legislature on May 26, 1978 on a Message of Necessity from the Governor and was approved by the Governor on June 2, 1978. The amendment which became Chapter 466 passed in the Senate on May 23, 1978, passed in the Assembly on June 22, 1978, and was approved by the Governor on July 6, 1978. The passage of these bills conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I further conclude, therefore, that the amendments have been validly enacted and have become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and are in full force and effect.

By Chapter 777 of the Laws of 1978 (S.3 and A.3, Second Extraordinary Session), the above referenced Acts were further amended. The amendment was passed in both Houses of the Legislature on September 28, 1978 on a Message of Necessity from the Governor and was approved by the Governor on September 28, 1978. The passage of this bill conforms to the provisions of Article III, § 14 of the Constitution of the State of New York, and I further conclude, therefore, that the amendment has been validly enacted and become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and is in full force and effect.

2. The Acts among other things: establish 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 and otherwise payable out of the General Fund of the State to The City of New York, New York ("The City") 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, (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, (iii) any amounts 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 1972, (iv) any amounts required to be paid by The City to the State to repay an advance made in 1974 to subsidize the fare of the New York City Transit Authority, (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 and (vi) eighty million dollars to the special account ("Special Tax Account") for the Corporation in the municipal assistance tax fund ("Tax Assistance Fund") created pursuant to section 92-d of the State Finance Law to the extent that such amount has been included by the Corporation in any computation for the issuance of bonds on a parity with outstanding bonds pursuant to a contract with the holders of such bonds prior to the issuance of any other bonds secured by payments from the Aid Assistance Fund.

3. Subdivision 6 of Section 3036-a of the Public Authorities Law as added by the Acts provides that the Corporation shall create the Bond Service Fund. Subdivision 1 of such section provides that not less than one hundred and twenty days before the beginning of each fiscal year of the Corporation, the Chairman shall certify to the State Comptroller and Mayor of The City a schedule setting forth the cash requirements of the Corporation, including the amounts required to be deposited in the Bond Service Fund to pay all interest and all payments of principal and redemption premium, if any, on notes and bonds payable from the sources set forth in this paragraph and maturing or otherwise coming due during such fiscal year. Said subdivision provides for the State Comptroller to pay such amounts to the Corporation for deposit in the Bond Service Fund, the source of such payments being the Aid Assistance Fund into which is paid the above described per capita aid, subject to certain prior claims as described in paragraph "2" above, and, to the extent required, available and subject to agreements with holders of outstanding bonds and notes of the Corporation, the Special Tax Account established for the Corporation in the Tax Assistance Fund created pursuant to Section 92-d of the State Finance Law and consisting of the revenues derived from the imposition of Municipal Assistance Sales and Compensating Use Tax for The City and any amount transferred to the Tax Assistance Fund from the Stock Transfer Tax Fund pursuant to Section 92-b of the State Finance Law. 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 payments of such amount out of the Aid and Tax Assistance Funds to the Corporation are subject to prior appropriation for such purpose by the Legislature, which is not obligated to appropriate any such amounts so certified by the Chairman, as aforesaid.

4. Subdivision 2 of Section 3036-a of the Public Authorities Law as added by the Acts provides that the Corporation shall create as an additional and separate fund, a Capital Reserve Fund. Subdivision 4 of such section
provides that for any calendar year, the Capital Reserve Fund Requirement for such fund shall equal the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on all bonds of the Corporation secured by such fund, provided however that for the calendar years set forth below, the Capital Reserve Fund Requirement as of any given date, shall equal the percentage set forth opposite such calendar year of the amount of the 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>1978</td>
<td>50%</td>
</tr>
<tr>
<td>1979</td>
<td>75%</td>
</tr>
<tr>
<td>1980</td>
<td>100%</td>
</tr>
</tbody>
</table>

Subdivision 3 of such section provides that the Chairman of the Board of Directors of the Corporation ("the Chairman") shall annually on or before December 1, certify to the Governor and Director of the Budget of the State the amount, if any, necessary to restore the Capital Reserve Fund to an amount equal to the Capital Reserve Fund Requirement. Such subdivision further provides that the sum or sums so certified shall be appropriated and paid to the Corporation during the then current State fiscal year. This subdivision does not constitute an enforceable obligation of the State, as the amount of such sum or sums is subject to annual appropriation for such purpose by the State Legislature, which is not obligated to appropriate such amount.

5. The [ ] Series [ ] Bonds do not constitute a legally enforceable obligation upon the part of the State, nor create a debt of the State and the State shall not be liable thereon, nor shall the [ ] Series [ ] Bonds be payable out of any funds other than those of the Corporation.

6. The State has the lawful authority, based on the Acts and court decisions:

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

(b) 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 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;

(c) to the extent amounts referred to in 6(b) 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 carry out its corporate purposes, but the State is not bound or obligated to make such appropriations; and

(d) to impose and to increase or decrease the Municipal Assistance Sales and Compensating Use Tax and the Stock Transfer Tax, but the State is not bound or obligated to continue the imposition of said taxes, and pursuant to Chapter 878 of the Laws of 1977, the Legislature has provided for certain rebates of stock transfer taxes, which rebates are payable from the Stock Transfer Incentive Fund created by Section 92-i of the State Finance Law as added by such chapter, which fund consists of funds of the Stock Transfer Tax Fund after transfer therefrom of any moneys required for the Special Tax Account, plus any other moneys appropriated, transferred or credited to the Stock Transfer Incentive Fund pursuant to law.

7. The Legislature appropriated per capita aid, including aid for the benefit of the Corporation for the fiscal year ending

$15,000,000

by Chapter 53 of the Laws of 1978. The Appropriation Act, entitled “An Act (Local Assistance Budget)” (S. 401, A. 1360), was passed in the Assembly on and in the Senate on , and was approved by the Governor on .

The passage of this bill conforms to the provisions of Article III, § 14 and Article VII, § 4 of the Constitution of the State of New York and I conclude, therefore, that the Act has been validly enacted and has become law and is in full force and effect.

This opinion constitutes my full and only opinion on the Acts as to the Series Bonds, is solely for the information of the Board of
Directors of the Corporation and is not to be used or circulated except to the Purchasers in accordance with the Bond Purchase Agreement, or quoted or referred to for any purpose, or filed with or referred to in any document except the Bond Purchase Agreement between the Corporation and the Purchasers and related closing documents. In no event may this opinion be printed on the [ ] Series [ ] Bonds or otherwise made available to the public by the Purchasers as it is intended to be relied on only by you and the Purchasers.

Very truly yours,

Attorney General
Chairman  
Municipal Assistance Corporation  
For The City of New York  
New York, New York  

Dear Mr. Chairman:

This is to acknowledge receipt of your letter of [ ], relating to the authorization, sale and issuance of the [ ] Series [ ] Bonds, dated [ ], in the aggregate principal amount of $ [ ] (herein called “the [ ] Series [ ] Bonds”) by the Municipal Assistance Corporation For The City of New York (herein called the “Corporation”) to the Purchasers named in Schedule I (herein called the “Purchasers”) to the Bond Purchase Agreement dated as of November 15, 1978, between the Purchasers and the Corporation (herein called the “Bond Purchase Agreement”).

It is my opinion that:

1. The Financial Emergency Act For The City of New York (the “Act”) was added by Chapter 868 of the Laws of 1975. Chapter 868 was introduced in the New York State Legislature on September 5, 1975 (S.1, A.1, Extraordinary Session), was passed in both the Senate and Assembly on September 8, 1975 on a Message of Necessity from the Governor and was approved by the Governor on September 9, 1975. The Act was amended by Chapters 869 and 870 of the Laws of 1975. Chapter 869 was introduced in the New York State Legislature on September 8, 1975 (S.2, A.2, Extraordinary Session), was passed in both the Senate and Assembly on September 8, 1975 on a Message of Necessity from the Governor and was approved by the Governor on September 9, 1975. Chapter 870 was introduced in the New York State Legislature on September 8, 1975 (S.3, A.3, Extraordinary Session), was passed in both the Senate and Assembly on September 9, 1975 on a Message of Necessity from the Governor and was approved by the Governor on September 9, 1975. The passage of these bills conformed to Article III, § 14 of the Constitution of the State of New York. I conclude, therefore, that the Act and above-referenced amendments have been validly enacted and have become law upon the Governor’s approval in accordance with the Constitution and laws of the State of New York and are in full force and effect.
By Chapter 201 of the Laws of 1978 (A. 13025) the Act was further amended. The amendments passed both Houses of the Legislature on a Message of Necessity from the Governor on May 26, 1978 and were approved by the Governor on June 2, 1978. The passage of these amendments conformed to Article III, § 14 of the Constitution of the State of New York. I further conclude, therefore, that these amendments have been validly enacted and have become law upon the Governor’s approval in accordance with the Constitution and laws of the State of New York and are in full force and effect.

By Chapters 777 and 778 of the Laws of 1978 (S.3—A.3, S.4—A.4 respectively, Second Extraordinary Session), the Act was further amended. The amendments passed both the Senate and Assembly on September 27, 1978, on a Message of Necessity from the Governor and were approved by the Governor on September 28, 1978. The passage of these bills conformed to Article III, § 14 of the Constitution of the State of New York. I further conclude, therefore, that these amendments have been validly enacted and have become law upon the Governor’s approval in accordance with the Constitution and laws of the State of New York and are in full force and effect.

2. Since there is no controlling judicial decision on the Act directly in point, the matter is not free from doubt; nevertheless, it is my opinion that a court would hold for the following reasons that the Act as amended is valid.

In extensive findings which preface the Act the Legislature has found that its provisions are “necessary, proper, reasonable and appropriate means by which the State can and should implement its overriding State concern with respect to the financial condition of the City and can and should exercise its duty under Article VIII Section 12 of the Constitution to prevent abuses by the City in taxation and in the contracting of indebtedness.”

Furthermore, the Act as amended was validly enacted as stated above in “1”, and under the Constitution and laws of the State, is entitled to the exceedingly strong presumption of constitutionality afforded to all acts of the Legislature which are validly enacted. Our Court of Appeals has said that “as a matter of substantive law every legislative enactment is deemed to be constitutional until its challengers have satisfied the courts to the contrary,” Montgomery v. Daniels, 38 NY 2d 41, 54, and cases there cited. On another occasion the Court has stated, in an oft-cited opinion, that “legislative enactments [are] supported by a presumption of validity so strong as to demand of those who attack them a demonstration of invalidity beyond a reasonable doubt, and the courts strike them down only as a last unavoidable result.” Matter of Van Berkel v. Power, 16 NY 2d 37, 40.
3. The New York State Financial Control Board for the City of New York (the “Board”) was created by the Act and is a governmental agency and instrumentality of the State of New York, having the powers and functions conferred upon it by the Act, as amended, including power to control the fiscal affairs of the City of New York, as there specifically set forth, so long as bonds of the Corporation containing the pledge of the State of New York under Section 10-a, subdivision one of the Act are outstanding and in no event beyond July 1, 2008, as provided by Section 13 of the Act.

4. Section 10-a, subdivision one of the Act authorizes and requires the Corporation to include the pledge of the State of New York therein set forth in bonds issued by the Corporation.

5. [Any litigation known to be pending which involves the subject matter of the opinion will be referred to and its status described. The opinion will state that a valid defense has been interposed or a favorable decision rendered.] No other action, suit, proceeding or investigation is pending, of which I have personal knowledge or which has been called to my personal attention, challenging the validity of the Act.

This opinion constitutes my full and only opinion on the Act as of the [ ] Series [ ] Bonds, is solely for the information of the Board of Directors of the Corporation and is not to be used or circulated except to the Purchasers in accordance with the Bond Purchase Agreement, or quoted or referred to for any other purpose, or filed with or referred to in any document except the Bond Purchase Agreement between the Corporation and the Purchasers and related closing documents. In no event may this opinion be printed on the [ ] Series [ ] Bonds or otherwise made available to the public by the Purchasers as it is intended to be relied on only by you and the Purchasers.

Very truly yours

Attorney General
To each of the Purchasers

Referred to Below

Dear Sirs:

Reference is made to an agreement, dated as of November 15, 1978 ("Bond Purchase Agreement"), among the Municipal Assistance Corporation For The City of New York (the "Corporation") and each of the Purchasers named in Schedule I thereto (the "Purchasers") in connection with which you have requested my opinion as to certain matters concerning an agreement, dated November 15, 1978, among each of you and The City of New York (the "Adherence Agreement"), and concerning the New York State Financial Emergency Act for The City of New York, constituting Chapter 868 of the Laws of 1975 as amended to the date hereof (the "Act").

I have examined such portions of the Constitution of the United States of America, the Constitution and statutes of the State of New York (the "State") and the Charter of The City of New York, and such applicable court decisions as I have deemed necessary or relevant for the purposes of the opinion set forth below. Based upon the foregoing, I advise you that in my opinion under existing law:

1. The Act has been duly enacted and the New York State Financial Control Board (the "Board") has been duly created under the Act.

2. While there is no judicial authority directly in point, the Board has lawfully been granted the powers set forth in the Act, including without limitation, the grant of power to approve, disapprove or modify financial plans submitted by The City of New York (the "City") to
ensure compliance with the standards set forth in subdivision 1 of Section 8 of the Act. Such powers may be validly exercised by the Board as necessary in the interests of the State during the control period as defined in the Act.

3. The Act validly requires that (a) the City develop financial plans which conform to the standards set forth in subdivision 1 of Section 8 of the Act and modify such financial plans to the extent necessary to make them conform or continue to conform to those standards, (b) the financial plans developed by the City and information relating to them be submitted to the Board, (c) the operations under the budgets of the City at all times be in conformance and compliance with the City's financial plan, (d) the City enable a nationally recognized independent certified public accounting firm or a consortium of firms to perform an annual audit of the City's financial statements in accordance with generally accepted auditing standards, (e) the City establish a general debt service fund in accordance with Section 9-a of the Act and deposit certain monies in that fund and the Comptroller of the State administer and maintain that fund and disburse monies out of that fund in accordance with Section 9-a of the Act, (f) the Comptroller of the State establish and maintain a TAN debt service account and a RAN debt service account (as those terms are defined in the Act) within the general debt service fund, pay certain sums into those accounts and make payments of principal of tax anticipation notes and revenue anticipation notes out of those accounts.

4. The Act validly prohibits the City from (a) entering into contracts or issuing obligations which are inconsistent with the City's financial plan in effect at the time the proposed contracts are to be entered into or the proposed obligations are to be issued or (b) issuing obligations which are inconsistent with the provisions of subdivisions one through five of Section 9-b of the Act.

5. The Adherence Agreement has been duly executed and is a valid agreement of the City and the covenants made by the City with each of you in Section 2 of the Adherence Agreement are legally binding on the City except that to the extent the covenant and agreement by the City to comply with the provisions of the Act includes compliance with actions taken by the Board pursuant to the Act, my opinion as to such covenant and agreement of the City is limited to the same extent as my opinion in paragraph 2 as to the exercise by the Board of the powers granted to it by the Act.
6. Enforcement of the covenants contained in the Adherence Agreement would require proof by you that the covenants constituted important security provisions in connection with your purchase of bonds of the Corporation on the date hereof and continue to constitute important security provisions to you.

The foregoing is limited to the extent that the enforceability of the Act or any part thereof and the enforceability of the covenants contained in the Adherence Agreement are subject at all times to the overriding State interest in promoting the health, safety and welfare of the people of the State.

I have rendered this opinion solely for your use in connection with the requirements imposed by the Bond Purchase Agreement with respect to the receipt by you of a favorable opinion as to the matters addressed herein. This opinion is not to be employed, referred to or quoted by any other person and should not be relied upon for any other purpose.

Very truly yours,
To each of the Purchasers
Referred to Below

Dear Sirs:

Reference is made to an agreement, dated as of November 15, 1978, among the Municipal Assistance Corporation For The City of New York (the “Corporation”) and each of the Purchasers named in Schedule I thereto (the “Purchasers”) in which you agree, severally and not jointly, to purchase certain bonds (the “Bonds”) to be issued by the Corporation. In connection with such agreement and your purchases, severally and not jointly, of an aggregate principal amount of Bonds on the date hereof, you have requested our opinion, as bond counsel to The City of New York (the “City”), a municipal corporation of the State of New York (the “State”), as to certain matters concerning an agreement, dated November 15, 1978, among you and the City (the “Adherence Agreement”), and concerning the New York State Financial Emergency Act for The City of New York, constituting Chapter 868 of the Laws of 1975 as amended to the date hereof (the “Control Board Act”).

The Control Board Act, among other things, establishes the New York State Financial Control Board (the “Board”) and authorizes the City to make certain covenants and agreements with any purchaser, holder or guarantor of obligations issued by the City. Section 2 of the Adherence Agreement con-
tains certain covenants made by the City with each of you (herein referred to as the “City Covenants”) and a pledge and agreement (the “Pledge and Agreement”) of the State included in the Adherence Agreement by the City pursuant to subdivision 3 of Section 10-a of the Control Board Act.

We have examined such portions of the Constitution of the United States of America, the Constitution and statutes of the State and the Charter of the City, and such applicable court decisions as we have deemed necessary or relevant for the purposes of the opinions set forth below. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Board has been duly created under the Control Board Act and and has lawfully been granted and may exercise the power to:

   (a) consult with the City and the covered organizations, as defined in the Control Board Act (the “Covered Organizations”), in the preparation of financial plans, specify the form of and information to be contained in financial plans, specify the supporting information required in connection therewith, and review and state its approval of any financial plan or of any modification of a financial plan, or state its disapproval of any financial plan or of any modification which it determines is incomplete or does not comply with the standards set forth in the Control Board Act; and

   (b) review and make reports and recommendations relating to the operations of the City and the Covered Organizations, audit compliance with any financial plan and obtain information from the City and the Covered Organizations relating to their respective financial conditions and needs.

2. While there is no judicial authority directly in point, the Board has lawfully been granted the powers set forth in the Control Board Act in addition to those enumerated in paragraph 1 above, and the Control Board Act and the Constitution of the State permit the exercise, at the times contemplated in the Control Board Act, of any of those powers in accordance with the procedures of the Control Board Act, including subdivision 3 of Section 8 thereof, to the extent required to assure that, as required by the Control Board Act, (a) the City will have a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act, (b) contracts entered into by the City, and borrowings of the City, will be in compliance with a financial plan which in all material respects conforms to the standards set forth in subdivision 1
of Section 8 of the Control Board Act, and (c) the disbursement of funds by the City, or by the Board for the account of the City in accordance with subdivision 3 of Section 9 of the Control Board Act, will be in compliance with a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act.

3. The Control Board Act validly requires that (a) the City develop financial plans in the form, and containing the information, specified by the Board, which conform to the standards set forth in subdivision 1 of Section 8 of the Control Board Act and modify those financial plans to the extent necessary to make them conform or continue to conform to those standards, (b) the financial plans developed by the City and information relating to them be submitted to the Board, (c) the budgets and operations of the City and the Covered Organizations at all times be in conformance and compliance with the financial plan of the City (whether developed by the City or adopted by the Board in the lawful exercise of its powers), (d) the City enable a nationally recognized independent certified public accounting firm or a consortium of firms to perform an annual audit of the City's financial statements in accordance with generally accepted auditing standards, (e) the City establish a general debt service fund in accordance with Section 9-a of the Control Board Act and deposit certain monies in that fund and the Comptroller of the State administer and maintain that fund and disburse monies in that fund in accordance with Section 9-a of the Control Board Act, (f) the Comptroller of the State establish and maintain a TAN debt service account and a RAN debt service account (as those terms are defined in the Control Board Act) within the general debt service fund, pay certain sums into those accounts and make payments of principal of tax anticipation notes and revenue anticipation notes out of those accounts, and (g) the officials of the City comply with any orders of the Board issued to those officials in the lawful exercise by the Board of its powers.

4. The Control Board Act validly prohibits the City from (a) entering into contracts or issuing obligations which are inconsistent with the financial plan of the City (whether developed by the City or adopted by the Board in the lawful exercise by the Board of its powers) in effect at the time the proposed contracts are to be entered into or the proposed obligations are to be issued or (b) issuing obligations which are inconsistent with the provisions of subdivisions one through five of Section 9-b of the Control Board Act.

5. The Pledge and Agreement is a valid and legally binding pledge and agreement of the State which the City is authorized to include and has validly included in the Adherence Agreement.
6. The Adherence Agreement has been duly executed and delivered on behalf of the City.

7. The City is authorized to include the City Covenants in the Adherence Agreement.

8. The Adherence Agreement is a valid agreement of the City, and the City Covenants are legally binding on the City except that to the extent the covenant and agreement by the City to comply with the provisions of the Control Board Act includes compliance with actions taken by the Board pursuant to the Control Board Act, our opinion as to such covenant and agreement of the City is limited to the same extent as our opinion in paragraph 2 as to the exercise by the Board of the powers granted to it by the Control Board Act.

We call your attention to certain factors affecting the enforceability of the City Covenants and the Pledge and Agreement as follows:

(a) the enforceability of the City Covenants and the Pledge and Agreement may be affected by the overriding State interest in promoting the health, safety and welfare of the people of the State and is subject to the provisions of the Federal Bankruptcy Act and may be subject to other subsequently enacted State or Federal laws relating to creditors' rights; and

(b) in a suit to enforce the City Covenants and the Pledge and Agreement, you would be required to prove with respect to the Pledge and Agreement, and with respect to the City Covenants when the City is acting in accordance with the laws of the State, that the inclusion of the City Covenants and the Pledge and Agreement in the Adherence Agreement constitute important security provisions to you.

Very truly yours,
Exhibit L

The Financial Institutions named on Schedule I to the Bond Purchase Agreement dated as of November 15, 1978 with the Municipal Assistance Corporation for the City of New York.

Dear Sirs:

We have acted as special counsel for the commercial banks, savings banks and insurance companies named on Schedule I (the “Financial Institutions”) to the Bond Purchase Agreement dated as of November 15, 1978 (the “Bond Purchase Agreement”) between the Municipal Assistance Corporation for the City of New York (the “Corporation”) and such Financial Institutions and certain New York City pension funds which are also named on Schedule I thereto.

As provided in the Bond Purchase Agreement the Financial Institutions have agreed, severally, to purchase from the Corporation an aggregate of up to $1,174,700,000 principal amount of the Corporation's bonds issued during its 1979, 1980, 1981 and 1982 fiscal years pursuant to the Corporation's Second General Bond Resolution adopted November 25, 1975, as supple-
mented and amended (the “Second Resolution”). On the Corporation adopted the Series Resolution under the Second Resolution pursuant to which Series Bonds (the “Bonds”) in the aggregate principal amount of $ are being issued to certain of the Financial Institutions pursuant to the Bond Purchase Agreement on the date hereof. (The Second Resolution and the Series Resolution are sometimes hereinafter referred to as the “Resolutions”.)

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents and other instruments as we have deemed necessary to render the following opinions.

On the basis of the foregoing, 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 of New York (the “State”), constituting a public benefit corporation under the laws of the State.

2. The Resolutions have been duly and validly adopted by the Corporation and are in full force and effect and no further authorization for the Resolutions is required.

3. The Bonds have been duly authorized and issued by the Corporation in accordance with the laws of the State and the Resolutions.

4. The Bond Purchase Agreement has been duly authorized, executed and delivered by the Corporation and is a valid and legally binding agreement of the Corporation.

5. The offering and sale of the Bonds by the Corporation to the Financial Institutions do not require registration of the Bonds under the Securities Act of 1933, as amended, or qualification of the Resolutions under the Trust Indenture Act of 1939, as amended. The Bonds constitute exempted securities within the meaning of the Securities Act of 1933, as amended, and constitute “municipal securities” within the meaning of the Securities Exchange Act of 1934, as amended.

We have not independently passed upon the validity or tax exempt status of the Bonds. We hereby confirm that all proceedings of the Corporation and (i) the opinion of Paul, Weiss, Rifkind, Wharton & Garrison, general counsel for the Corporation, delivered pursuant to Section 3.12(a) of the
Bond Purchase Agreement, (ii) the opinions of Hawkins, Delafield & Wood, bond counsel for the Corporation, delivered pursuant to Section 3.12(b) of the Bond Purchase Agreement, and (iii) the opinion of Rogers & Wells, bond counsel for The City of New York, delivered pursuant to Section 3.12(e) of the Bond Purchase Agreement, each of even date herewith, are satisfactory in form and substance to us and we believe that you are justified in relying thereon.

We are also of the opinion that the certificates delivered on the date hereof pursuant to the requirements of the Bond Purchase Agreement are appropriately responsive to such requirements.

This opinion is being furnished by us as special counsel to the Financial Institutions solely for their benefit in connection with their several purchases of the Bonds on the date hereof pursuant to the Bond Purchase Agreement. This opinion may not be furnished to, relied upon or used by, any other person, including any other party to the Bond Purchase Agreement or any person purchasing or otherwise acquiring any Bonds from or through any of the Financial Institutions.

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

Pursuant to the provisions of Section 1001 of each of the General Bond Resolutions of the Municipal Assistance Corporation For The City of New York, adopted July 2, 1975 and November 25, 1975, respectively, each as amended and supplemented to the date hereof (the "Resolutions"), Section 103 of each of the Resolutions is amended and supplemented by the addition thereto of the following paragraph:

"The Corporation covenants that it will issue no obligations pursuant to the Resolution the payment of which is guaranteed pursuant to the New York City Loan Guarantee Act of 1978, P.L. 95-339 (the "Guarantee Act"). The Corporation further covenants that it will issue no obligations pursuant to any other resolution the payment of which is guaranteed pursuant to the Guarantee Act unless, prior to the issuance of such guaranteed obligations, the Secretary of the Treasury of the United States has waived as to all obligations of the Corporation pursuant to Section 105(e) of the Guarantee Act any priority granted to the United States of America to payment on any debt owed to it by Section 3466 of the Revised Statutes of the United States of America."

This resolution shall take effect immediately upon the filing of a certified copy with the Trustee as identified in each of the Resolutions.
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

SECTION 901. Payment of Bonds ................................. 37
SECTION 902. Extension of Payment of Bonds and Coupons .......... 37
SECTION 903. Offices for Payment and Registration of Bonds and Coupons ........................................ 38
SECTION 904. Further Assurances .................................. 38
SECTION 905. Power to Issue Bonds and Make Pledges ................. 39
SECTION 906. Agreement of the State ................................ 39
SECTION 907. Creation of Liens ...................................... 39
SECTION 908. Accounts and Reports .................................. 40
SECTION 909. General ............................................. 40

ARTICLE X
Series Resolutions and Supplemental Resolutions

SECTION 1001. Modification and Amendment Without Consent .... 42
SECTION 1002. Supplemental Resolutions Effective With Consent of Bondholders ........................................ 43
SECTION 1003. General Provisions Relating to Series Resolutions and Supplemental Resolutions ................. 43

ARTICLE XI
Amendments of Resolutions

SECTION 1101. Powers of Amendment ............................... 44
SECTION 1102. Consent of Bondholders .............................. 45
SECTION 1103. Modifications by Unanimous Consent ................ 47
SECTION 1104. Mailing and Publication .............................. 47
SECTION 1105. Exclusion of Bonds ................................... 48
SECTION 1106. Notation on Bonds ................................... 48

ARTICLE XII
Defaults and Remedies

SECTION 1201. Trustee to Exercise Powers of Statutory Trustee .... 48
SECTION 1202. Events of Default ................................... 48
SECTION 1203. Remedies ........................................... 50
ARTICLE XIII
EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOFS OF OWNERSHIP OF BONDS

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

ARTICLE XIV
DEFEASANCE

SECTION 1401. Defeasance

ARTICLE XV
MISCELLANEOUS

SECTION 1501. Preservation and Inspection of Documents
SECTION 1502. Parties of Interest
SECTION 1503. No Recourse Under Resolution or on Bonds
SECTION 1504. Severability
SECTION 1505. Headings
SECTION 1506. Conflict
SECTION 1507. Effective Date
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," "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 regis-
tered 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 trans-
foree 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 con-
trary. 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 regis-
tered 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 ex-
changes or transfers shall forthwith be cancelled by the Trustee, pro-
vided however, the Trustee is authorized to retain any coupon Bond so
surrendered and to re-issue any Bond so retained with unmatured cou-
pons 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 denomina-
tions 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 pre-
sentation 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 cou-
pouns, 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 aggre-
gate 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 sub-
ject to redemption prior to maturity pursuant to the provisions of a
Series Resolution shall be redeemable, upon published notice as pro-
vided in this Article IV, at such times, at such Redemption Prices and
upon such terms as may be specified in the Series Resolution authoriz-
ing such Series.
402. Redemption at the Election or Direction of the Corporation. In the case of any redemption of Bonds other than as provided in Section 403, the Corporation shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto contained in the Act or this Resolution and any Series Resolution) and of the monies to be applied to the payment of the Redemption Price. Such notice shall be given at least sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, the Trustee, if it holds the monies to be applied to the payment of the Redemption Price, or otherwise the Corporation, shall, prior to the redemption date, pay to the Trustee and the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other monies, if any, available therefor held by the Trustee and such Paying Agent or Paying Agents, will be sufficient to redeem, on the redemption date at the Redemption Price thereof, together with interest accrued to the redemption date, all of the Bonds to be redeemed. The Corporation shall promptly notify the Trustee in writing of all such payments made by the Corporation to a Paying Agent.

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

404. Selection of Bonds to Be Redeemed by Lot. In the event of redemption of less than all of the Outstanding Bonds of like Series and maturity, the Trustee shall assign to each such Outstanding registered Bond of the Series and maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest
denomination of the coupon Bonds of such Series and shall select by lot, using such method of selection as it shall deem proper in its 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 publication or other notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice, provided that such publication or other notice shall, so far as may be possible, approximate the terms and conditions of the publication in lieu of which it is given. The Trustee shall also mail a copy of such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

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

ARTICLE V

CUSTODY AND APPLICATION OF CERTAIN PROCEEDS OF BONDS

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

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

Establishment of Funds and Application Thereof

601. The Pledge Effected 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 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 hereof 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 monies in the Bond Service Fund sufficient to pay the applicable principal amount thereof, together with interest thereon to the redemption date. The Trustee shall pay out of the Bond Service Fund
to the appropriate Paying Agents, on the day preceding each such redemption date, the amount required for the redemption of the Term Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

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

606. Capital Reserve Fund.

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

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

3. In order further to assure the maintenance of the Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement and in compliance with the requirements of subdivision 3 of Section 3036-a of the Act, the Chairman shall annually, on or before December 1, make and deliver to the Governor and Director of the
Budget of the State (with a copy to the Trustee) his certificate stating the sum, if any, required to restore the Capital Reserve Fund to an amount equal to the Capital Reserve Fund Requirement. All monies received by the Corporation from the State pursuant to any such 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 of or interest on the Bonds any amounts due to be received as payment of principal of or interest on obligations of the City held by the Corporation.

ARTICLE VII
SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

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

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

(1) Monies in the Bond Service Fund and the Capital Reserve Fund shall, as nearly as may be practicable, be invested by the Trustee upon direction of the Corporation in writing, signed by an Authorized Officer (which direction shall specify the amount thereof to be so invested and the Corporation in issuing such direction shall take into consideration the dates and times when monies in such Fund will be required for the purposes of this Resolution) in (a) direct obligations of the United States of America, direct obligations of the State or obligations the principal and interest of which are guaranteed by the United States of America or the State, (b) any bond, debenture, note, participation or other similar obligation issued by any of the following Federal agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, Farmers' Home Administration and Export-Import Bank, (c) if permitted by law, any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association, and (d) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State of New York or held in the State treasury. The maturity or redemption date at the option of the holder of any such investment shall coincide as nearly as practicable with but in no event later than the times at which monies in the Bond Service Fund and Capital Reserve Fund will be required for the purposes in this Resolution provided.
(2) Obligations purchased as an investment of monies in any fund or account held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

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

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

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

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

ARTICLE VIII
THE TRUSTEE AND THE PAYING AGENTS

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

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

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

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

**803. Responsibilities of Trustee and Paying Agents.** The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Corporation and neither the Trustee nor any Paying Agent assumes any responsibility for the correctness of the same. Neither the Trustee nor any Paying Agent shall be deemed to make any representations as to the validity or sufficiency of this Resolution or of any Bonds or coupons issued hereunder or in respect of the security afforded by this Resolution, and neither the Trustee nor any Paying Agent shall incur any responsibility in respect thereof. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the applica-
tion of the proceeds thereof or the application of any monies paid to
the Corporation. Neither the Trustee nor any Paying Agent shall be
under any obligation or duty to perform any act which would involve it
in expense or liability or to institute or defend any suit in respect
hereof, or to advance any of its own monies, unless properly indemnifi-
ced. 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 applica-
tion 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, direc-
tion, 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 Reso-
lution upon the faith thereof, but in its discretion the Trustee or any
Paying Agent may in lieu thereof accept other evidence of such fact
or matter or may require such further or additional evidence as to it
may seem reasonable.

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

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

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

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

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

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

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

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

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

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

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

**ARTICLE IX**

**Covenants of the Corporation**

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

901. *Payment of Bonds.* The Corporation shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds and in the coupons thereto appertaining, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds. All such payments, to the extent not paid when due and payable, shall continue to be due and payable and, accordingly, shall be deemed to be becoming due until the same shall be paid.

902. *Extension of Payment of Bonds and Coupons.* The Corporation shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the coupons or claims for interest by the purchase or funding of such Bonds, coupons or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of
any such coupons or claims for interest shall be extended, such Bonds, coupons or claims for interest shall not be entitled in case of any default under this Resolution to the benefit of this Resolution or to any payment out of any assets of the Corporation or the funds (except funds held in trust for the payment of particular Bonds, coupons or claims for interest pursuant to this Resolution) held by the Trustee or any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended coupons or claims for interest. Nothing herein shall be deemed to limit the right of the Corporation to issue Refunding Bonds as provided in Section 203 and such issuance shall not be deemed to constitute an extension of maturity of Bonds or the time of payment of any of the coupons or claims for interest.

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

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

905. **Power to Issue Bonds and Make Pledges.** The Corporation is duly authorized pursuant to law to create and issue the Bonds and to adopt this Resolution and to pledge the Revenues and other monies, securities and funds purported to be pledged by this Resolution in the manner and to the extent provided in this Resolution. Except to the extent otherwise provided in Section 601, the Revenues and other monies, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by this Resolution, and all corporate action on the part of the Corporation to that end has been duly and validly taken. The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of this Resolution. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other monies, securities and funds pledged under this Resolution and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

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

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

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

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

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

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

Subject to the rights of holders of obligations issued pursuant to the First General Bond Resolution, the Corporation shall not modify or amend the First General Bond Resolution in any manner which would have a material adverse effect on the Bondholders, provided, however, that nothing herein shall prevent the Corporation from amending or supplementing the First General Bond Resolution to provide for the issuance of Bonds, Notes or Other Obligations (as such terms are defined in the First General Bond Resolution) as provided in the First General Bond Resolution. No such Bonds, Notes or Other Obligations shall be issued in accordance with Article 11 of the First General Bond Resolution if such issuance would cause the amounts stated in paragraph (1) and (2) of Subsection 3 of Section 202 after making the deductions provided in subparagraphs 3(a) and 3(c) to be less than 1.2 times such aggregate amount set forth in paragraph 3(b) of subsection 3 of Section 202 for each Fiscal Year set forth pursuant to said paragraph 3(b) if such certifications required to be made pursuant to such Subsection 3 had been made at the time of, and gave effect to, the issuance of such Bonds, Notes or Other Obligations.

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

Series Resolutions and Supplemental Resolutions

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

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

(2) To add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in this Resolution;

(3) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions 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 thereofcertified 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 thereof (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 (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 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 23 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 (e), (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 pay-
ment date unless the Trustee shall deem another date more suitable)
upon which such application is to be made and upon such date interest
on the amounts of principal to be paid on such date shall cease to
accrue. The Trustee shall give such notice as it may deem appro-
priate for the fixing of any such date. The Trustee shall not be
required to make payment to the Holder of any unpaid coupon or
any Bond unless such coupon or such Bond shall be presented to the
Trustee for appropriate endorsement or for cancellation if fully paid.

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

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

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

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

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

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

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

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

ARTICLE XIII

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOFS OF OWNERSHIP OF BONDS

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

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

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

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

ARTICLE XIV

Defeasance

1401. Defeasance. 1. If the Corporation shall pay or cause to be paid to the Holders of all Bonds and coupons then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the
Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds or coupons not therefoore surrendered for such payment or redemption.

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

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

MISCELLANEOUS

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

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

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

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

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

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

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

1978 Series 11 Resolution

Authorizing
$139,525,000
1978 SERIES 11 BONDS

Adopted November 14, 1978

Sections 204, 208 and 212 hereof appear as supplemented and amended by resolution of the Corporation adopted November 16, 1978.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 SERIES 11 RESOLUTION AUTHORIZING
$139,525,000
1978 SERIES 11 BONDS

TABLE OF CONTENTS*

ARTICLE I
Definitions and Statutory Authority

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>101.</td>
<td>1978 Series 11 Resolution</td>
<td>1</td>
</tr>
<tr>
<td>102.</td>
<td>Definitions</td>
<td>1</td>
</tr>
<tr>
<td>103.</td>
<td>Authority for the 1978 Series 11 Resolution</td>
<td>2</td>
</tr>
</tbody>
</table>

ARTICLE II
Authorization, Terms and Issuance of 1978 Series 11 Bonds

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>201.</td>
<td>Authorization of 1978 Series 11 Bonds, Principal Amount, Designation and Series</td>
<td>2</td>
</tr>
<tr>
<td>202.</td>
<td>Purposes</td>
<td>2</td>
</tr>
<tr>
<td>203.</td>
<td>Date of 1978 Series 11 Bonds</td>
<td>3</td>
</tr>
<tr>
<td>204.</td>
<td>Maturity and Interest Rate</td>
<td>3</td>
</tr>
<tr>
<td>205.</td>
<td>Interest Payments</td>
<td>3</td>
</tr>
</tbody>
</table>

* This Table of Contents was not part of the Resolution as adopted.
SECTION 206. Denominations, Numbers and Letters ................. 3
SECTION 207. CUSIP Numbers .................................. 4
SECTION 208. Places of Payment and Paying Agents ............... 4
SECTION 209. Optional Redemption of 1978 Series 11 Bonds and Terms 4
SECTION 210. Sinking Fund Installments ........................... 5
SECTION 211. Selection by Lot .................................. 6
SECTION 212. Sale of the 1978 Series 11 Bonds ................... 6

ARTICLE III

FORMS AND EXECUTION OF 1978 SERIES 11 BONDS AND COUPONS

SECTION 301. Forms of Bonds and Coupons of 1978 Series 11 Bonds .. 7
SECTION 302. No Recourse on 1978 Series 11 Bonds .................. 30
SECTION 303. Execution and Authentication of 1978 Series 11 Bonds .. 30

ARTICLE IV

MISCELLANEOUS

SECTION 401. Special Covenants .................................... 31
SECTION 402. State Covenant ...................................... 32
SECTION 403. Authorized Officers ................................. 34
SECTION 404. When Effective ...................................... 34
1978 SERIES 11 RESOLUTION AUTHORIZING

$139,525,000

1978 SERIES 11 BONDS

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

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 101. 1978 Series 11 Resolution. This 1978 Series 11 Resolution Authorizing $139,525,000 1978 Series 11 Bonds is supplemental to, and constitutes a Series Resolution within the meaning of and is adopted in accordance with Article X of, the resolution adopted by the Corporation on November 25, 1975, entitled "Second General Bond Resolution" and referred to herein as the "Resolution."

Section 102. Definitions. (a) All terms which are defined in Section 101 of the Resolution shall have the same meanings, respectively, in this 1978 Series 11 Resolution Authorizing $139,525,000 1978 Series 11 Bonds as such terms are given in said Section 101 of the Resolution.

(b) In addition, as used in this 1978 Series 11 Resolution Authorizing $139,525,000 1978 Series 11 Bonds, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement, by and among the Corporation, the Purchasers and the insurance companies listed on Schedule II thereto and the New York City pension funds listed in Schedule I thereto substantially in the form presented at this meeting.

"1978 Series 11 Bonds" shall mean the Bonds authorized by Article II of this 1978 Series 11 Resolution.

"1978 Series 11 Resolution" shall mean this 1978 Series 11 Resolution Authorizing $139,525,000 1978 Series 11 Bonds.
"Purchasers" shall mean the commercial banks, savings banks
and insurance companies listed on Schedule I of the Bond Pur-
chase Agreement other than the insurance companies listed on
Schedule II thereto.

(e) Words of the masculine gender shall be deemed and construed
to include correlative words of the feminine and neuter genders. Unless
the context shall otherwise indicate, words importing the singular num-
ber 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, but shall not include the Corporation.

(d) The terms "hereby," "hereof," "hereto," "herein," "here-
under," and any similar terms, as used in this 1978 Series 11 Resolution,
refer to this 1978 Series 11 Resolution.

Section 103. Authority for the 1978 Series 11 Resolution. The
1978 Series 11 Resolution is adopted pursuant to the provisions of the
Act and the Resolution.

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF
1978 SERIES 11 BONDS

Section 201. Authorization of 1978 Series 11 Bonds, Principal
Amount, Designation and Series. The 1978 Series 11 Bonds are hereby
authorized to be issued in the aggregate principal amount of
$139,525,000 pursuant to and subject to the terms, conditions and limi-
tations established in the Resolution and this 1978 Series 11 Resolution
and shall be deemed to be Term Bonds within the meaning of the
Resolution. In addition to the title "Bonds," such Series of Bonds
shall bear the additional designation of "1978 Series 11" and each as
so designated shall be entitled "1978 Series 11 Bond" and may be
issued in coupon form payable to bearer and registrable as to principal
only or in fully registered form.

Section 202. Purposes. The purposes for which the 1978 Series 11
Bonds are being issued are to make deposits into reserve funds estab-
lished pursuant to the Act, it being hereby determined that the amount
of such deposits, in addition to the amounts currently deposited in such
funds, constitute a reasonably required reserve fund; to make deposits
into the Guarantee Fund established pursuant to a resolution of the Corporation, adopted November 14, 1978; to pay a portion of the proceeds to the City upon certification to the Corporation that such payments will have the effect of reducing from the existing level the City’s requirements for an advance by the State, during such year or the succeeding fiscal year, of State assistance moneys payable to the City; and to pay a portion of the proceeds to the City to pay expense items currently permitted to be included in the City’s capital budget.

Section 203. Date of 1978 Series 11 Bonds. The 1978 Series 11 Bonds shall be dated November 15, 1978, except as otherwise provided in Section 201 of the Resolution with respect to certain registered 1978 Series 11 Bonds issued on or after the first interest payment date. Registered 1978 Series 11 Bonds issued prior to the first interest payment date thereof shall be dated November 15, 1978.

Section 204. Maturity and Interest Rate. The 1978 Series 11 Bonds shall mature on July 1, 1998, in the aggregate principal amount of $139,525,000 and shall bear interest at the rate of 8% per annum.

Section 205. Interest Payments. The 1978 Series 11 Bonds shall bear interest from November 15, 1978, payable on July 1, 1979 and semi-annually thereafter on January 1, and on July 1, in each year, to the date of maturity or earlier redemption, and thereafter shall bear interest at the same rate until the Corporation’s obligation with respect to the payment of the principal sum on said 1978 Series 11 Bonds is discharged.

Section 206. Denominations, Numbers and Letters. The 1978 Series 11 Bonds shall be issued in the denomination of $5,000 or $100,000 in the case of 1978 Series 11 Bonds in coupon form payable to bearer and in the denomination of $5,000 or an integral multiple of $5,000 in the case of 1978 Series 11 Bonds in fully registered form without coupons. The 1978 Series 11 Bonds in coupon form in the denomination of $5,000 shall be numbered 11- and in the denomination of $100,000 shall be numbered and lettered 11C. . The 1978 Series 11 Bonds in fully registered form without coupons shall be numbered and lettered 11R-.. Each number and each number and letter designated above shall be followed by the number of the 1978 Series 11 Bond. 1978 Series 11 Bonds in coupon form so designated shall be numbered consecutively from 1 upwards and 1978 Series 11 Bonds in fully registered form so designated shall be numbered consecutively from 1 upwards in order of issuance. Any 1978 Series 11 Bond in coupon form
surrendered to the Trustee in any exchange or transfer pursuant to Section 308 of the Resolution shall be cancelled forthwith by the Trustee upon its books, provided, however, the Trustee is authorized to retain any 1978 Series 11 Bonds in such coupon form so surrendered and to re-issue, if necessary, any such Bond so retained with unmatured coupons representing interest to become due attached thereto in exchange for a registered 1978 Series 11 Bond or Bonds in accordance with the provisions of Section 304 of the Resolution (any such 1978 Series 11 Bonds or coupons so retained by the Trustee shall not be deemed Outstanding while so retained).

Section 207. CUSIP Numbers. The Corporation is hereby authorized, in its discretion or if so requested by the Purchasers, to provide for the assignment of CUSIP numbers for the 1978 Series 11 Bonds, and to have such CUSIP numbers printed thereon, and the Corporation may direct the Trustee to use such CUSIP numbers in notices of redemption and on checks payable to registered Bondholders as a convenience to Bondholders, provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the 1978 Series 11 Bonds or as contained in any notice of redemption.

Section 208. Places of Payment and Paying Agents. The principal and Redemption Price of, and interest on, the 1978 Series 11 Bonds in coupon form payable to bearer shall be payable at the following, hereby appointed Paying Agents hereunder: at the corporate trust office of Citibank, N.A., in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at Bank of America National Trust and Savings Association, in the City and County of San Francisco, State of California. The interest on all registered 1978 Series 11 Bonds, and the principal and Redemption Price of all registered 1978 Series 11 Bonds and of all 1978 Series 11 Bonds issued in coupon form payable to bearer and subsequently registered as to principal, shall be payable at the corporate trust office of the Trustee.

Section 209. Optional Redemption of 1978 Series 11 Bonds and Terms. (1) The 1978 Series 11 Bonds shall be subject to redemption at the election of the Corporation, at any time on and after July 1, 1988, as a whole on any date, or in part, by lot, on any interest payment date
or dates, at the following Redemption Prices (expressed as a percentage of the principal amount) plus accrued interest, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>101(\frac{1}{2})</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>100(\frac{1}{2})</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

(2) The foregoing notwithstanding, no 1978 Series 11 Bond shall be redeemed at the election of the Corporation unless a sufficient amount of 1978 Series 12 Bonds and 1978 Series 13 Bonds shall also be redeemed so that the ratios of Outstanding 1978 Series 11 Bonds to Outstanding 1978 Series 12 Bonds and to Outstanding 1978 Series 13 Bonds, in each case, immediately prior and immediately subsequent to giving effect to such redemption, in each case, shall remain substantially constant.

Section 210. Sinking Fund Installments. The 1978 Series 11 Bonds maturing on July 1, 1998 shall be subject to redemption, in part, by operation of the Bond Service Fund through application of Sinking Fund Installments as provided in the Resolution commencing on July 1, 1985, 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 1978 Series 11 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the 1978 Series 11 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 1978 Series 11 Bonds, on July 1 of each of the years set forth in the following table, the amount set forth opposite such year in said table, and the said amount to be paid on each such date is hereby established as
and shall constitute a Sinking Fund Installment for retirement of the 1978 Series 11 Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$4,755,000</td>
<td>1992</td>
<td>$12,210,000</td>
</tr>
<tr>
<td>1986</td>
<td>6,800,000</td>
<td>1993</td>
<td>14,950,000</td>
</tr>
<tr>
<td>1987</td>
<td>6,800,000</td>
<td>1994</td>
<td>18,385,000</td>
</tr>
<tr>
<td>1988</td>
<td>11,585,000</td>
<td>1995</td>
<td>21,855,000</td>
</tr>
<tr>
<td>1989</td>
<td>11,585,000</td>
<td>1996</td>
<td>2,050,000</td>
</tr>
<tr>
<td>1990</td>
<td>12,245,000</td>
<td>1997</td>
<td>2,010,000</td>
</tr>
<tr>
<td>1991</td>
<td>12,245,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section 211. Selection by Lot. If less than all of the 1978 Series 11 Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in accordance with Section 404 of the Resolution.

In giving effect to any redemption by lot pursuant to the Resolution, the Trustee shall use such method as it shall determine to be efficient and equitable in assuring that coupon Bonds in a denomination other than $5,000 are subject to redemption in $5,000 increments in the same manner as coupon Bonds in the denomination of $5,000 or registered Bonds.

Section 212. Sale of the 1978 Series 11 Bonds. (1) The 1978 Series 11 Bonds shall be sold to the Purchasers at a price of 98.075% of the principal amount thereof plus accrued interest to the date of delivery.

(2) The Chairman or Executive Director of the Corporation is hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form submitted to this meeting with such changes, corrections, deletions and additions as may be necessary to give effect to the 1978 Series 11 Resolution.

(3) The Chairman or Executive Director of the Corporation are hereby authorized to sign and deliver to the Purchasers the final Official Statement in substantially the form submitted to this meeting with such changes, corrections, deletions and additions as he shall deem advisable. The Corporation hereby ratifies the delivery, in conjunction with the sale of the 1978 Series 11 Bonds to the Purchasers, of the Preliminary Official Statement dated November 10, 1978.

(4) The 1978 Series 11 Bonds authorized to be issued herein shall be issued and delivered to the Purchasers upon payment thereof to the Trustee for the account of the Corporation in accordance with the Bond Purchase Agreement and the Resolution.
ARTICLE III

FORMS AND EXECUTION OF 1978 SERIES 11 BONDS AND COUPONS

SECTION 301. FORMS OF BONDS AND COUPONS OF 1978 SERIES 11 BONDS. Subject to the provisions of the Resolution, the 1978 Series 11 Bonds in coupon form and coupons to be attached thereto and the 1978 Series 11 Bonds in registered form, together with the form of assignment thereof, and the Trustee’s Certificate of Authentication, shall be in substantially the following form and tenor:

(Form of Coupon 1978 Series 11 Bond)

No. 11- .................................................. $5,000
[No. 11C- .................................................. [$100,000]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 Series 11 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 (hereinafter sometimes referred to as the “State”), 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) [One Hundred Thousand Dollars ($100,000)] on the first day of July, 1998, unless redeemed prior thereto as hereinafter provided, and to pay interest thereon at the rate of per centum (%) per annum, payable on July 1, 1979 and semi-annually thereafter on January 1 and on July 1, in each year, from the date hereof to the date of maturity or earlier redemption of this Bond and thereafter at the same rate, until the Corporation’s obligation with respect to the payment of such principal shall be discharged, but with respect to interest due on or before the maturity of this Bond only 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 [ ], or, at the option of the holder, [ ].

The principal of this Bond, if registered, is payable only at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the resolution of the Corporation adopted November 25, 1975, as supplemented, entitled “Second General Bond Resolution” (herein called the “Second General Bond Resolution”), or its successor as trustee (herein called the “Trustee”), in like coin or currency.

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

The Bonds are general obligations of the Corporation payable out of any payments to the Corporation pursuant to Sections 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 (hereinafter referred to as the "City") 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 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 and in certain other resolutions of the Corporation, 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 "1978 Series 11 Bonds" (herein called the "1978 Series 11 Bonds"), issued in the aggregate principal amount of $139,525,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation adopted November 14, 1978, entitled "1978 Series 11 Resolution Authorizing $139,525,000 1978 Series 11 Bonds" (said resolutions being herein collectively called the "Resolutions"), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of the Trustee and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 1978 Series 11 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1978 Series 11 Bonds with respect thereto and the terms and conditions upon which the 1978 Series 11 Bonds are issued and may be issued thereunder.

Pursuant to the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York (Chapter 868 of the Laws of New York of 1975) as amended (herein called the "Control Act"), the State has authorized and requires the Corporation to include in any agreement made by the Corporation with holders of its bonds issued after September 28, 1978, including the 1978 Series 11
Bonds, and the Corporation hereby includes in this 1978 Series 11 Bond, a pledge and agreement of the State that it will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued, (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued; (f) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 1978 Series 11 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a
control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to a holder of a 1978 Series 11 Bond if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all Outstanding 1978 Series 11 Bonds and irrevocable instructions from the Corporation, to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 11 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 1978 Series 11 Bond is in full force and effect.

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 1978 Series 11 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 1978 Series 11 Bonds are issuable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 1978 Series 11 Bonds. Coupon 1978 Series 11 Bonds, upon surrender thereof at the corporate trust office of the Trustee, with all immatured coupons attached, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of coupon 1978 Series 11 Bonds and/or registered 1978 Series 11 Bonds of any of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered 1978 Series 11 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 1978 Series 11 Bonds with appropriate coupons attached, and/or 1978 Series 11 Bonds without coupons of any other authorized denominations.

The 1978 Series 11 Bonds are not subject to redemption prior to July 1, 1985.

The 1978 Series 11 Bonds are subject to redemption at the election of the Corporation, at any time on or after July 1, 1988, as a whole on any date, or in part, by lot, on any interest payment date, as provided in the Resolutions, at the following Redemption Prices (as defined in
the Resolutions) (expressed as a percentage of the principal amount) plus accrued interest, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

The 1978 Series 11 Bonds are also subject to redemption, in part, by lot, as provided in the Resolutions, on July 1 in each of the years and in the amounts set forth below, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, 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 principal amount of such 1978 Series 11 Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$4,755,000</td>
</tr>
<tr>
<td>1986</td>
<td>$6,800,000</td>
</tr>
<tr>
<td>1987</td>
<td>$6,800,000</td>
</tr>
<tr>
<td>1988</td>
<td>$11,585,000</td>
</tr>
<tr>
<td>1989</td>
<td>$11,585,000</td>
</tr>
<tr>
<td>1990</td>
<td>$12,245,000</td>
</tr>
<tr>
<td>1991</td>
<td>$12,245,000</td>
</tr>
<tr>
<td>1992</td>
<td>$12,210,000</td>
</tr>
<tr>
<td>1993</td>
<td>$14,950,000</td>
</tr>
<tr>
<td>1994</td>
<td>$18,385,000</td>
</tr>
<tr>
<td>1995</td>
<td>$21,855,000</td>
</tr>
<tr>
<td>1996</td>
<td>$2,050,000</td>
</tr>
<tr>
<td>1997</td>
<td>$2,010,000</td>
</tr>
</tbody>
</table>

The Corporation may, at any time not prior to 12 months prior to an interest payment date on which a Sinking Fund Installment is scheduled to be due, but in no event less than 45 days prior to such date, direct the Trustee to purchase, at a price not in excess of par, plus unpaid interest accrued, if any, to the date of such purchase, 1978 Series 11 Bonds payable from such Sinking Fund Installment and apply any 1978 Series 11 Bonds so purchased as a credit against such Sinking Fund Installment.
In the event that any or all of the 1978 Series 11 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 1978 Series 11 Bonds or portions of the 1978 Series 11 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 1978 Series 11 Bonds. Notice of redemption having been given, as aforesaid, the 1978 Series 11 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 1978 Series 11 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1978 Series 11 Bonds maturing subsequent to the redemption date shall be void.

The 1978 Series 11 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 1978 Series 11 Bonds be payable out of any funds other than those of the Corporation.

This 1978 Series 11 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 1978 Series 11 Bond, or of any coupon appurtenant hereto, by accepting this 1978 Series 11 Bond or coupon shall be conclusively deemed to have agreed that this 1978 Series 11 Bond or coupon is fully negotiable for those purposes.

Neither this 1978 Series 11 Bond nor any coupon for interest thereon shall be entitled to any security, right or benefit under the Reso-
In Witness Whereof, the Municipal Assistance Corporation For The City of New York has caused this 1978 Series 11 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 fifteenth day of November, 1978.

Municipal Assistance Corporation For The City of New York

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

[Seal]

Attest:

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

This Bond is one of the 1978 Series 11 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, TRUSTEE

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

[Reverse of Form of Registered 1978 Series 11 Bond]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 SERIES 11 BOND
% Due July 1, 1998

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, as supplemented, 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 Sections 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 and in certain other resolutions of the Corporation, 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 “1978 Series 11 Bonds” (herein called the “1978 Series 11 Bonds”), issued in the aggregate principal amount of $139,525,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted November 14, 1978, entitled “1978 Series 11 Resolution Authorizing $139,525,000 1978 Series 11 Bonds” (said resolutions being herein collectively called the “Resolutions”), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the Second General Bond Resolution (said trustee and
any successor thereto 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 1978 Series 11 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1978 Series 11 Bonds with respect thereto and the terms and conditions upon which the 1978 Series 11 Bonds are issued and may be issued thereunder.

Pursuant to the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York (Chapter 868 of the Laws of New York of 1975), as amended (herein called the "Control Act"), the State has authorized and requires the Corporation to include in any agreement made by the Corporation with holders of its bonds, issued after September 28, 1978, including the 1978 Series 11 Bonds, and the Corporation hereby includes in this 1978 Series 11 Bond, a pledge and agreement of the State that it will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued, (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (each as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove a proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the inde-
pendent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued; (f) substantially modify the requirement that the City’s financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 1978 Series 11 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to a holder of a 1978 Series 11 Bond if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all Outstanding 1978 Series 11 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 11 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 1978 Series 11 Bond is in full force and effect.

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 1978 Series 11 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 1978 Series 11 Bond or Bonds and/or, at the option of the transferee, a coupon 1978 Series 11 Bond or Bonds with appropriate coupons attached, of the same aggregate principal amount and interest rate as the surrendered 1978 Series 11 Bond, as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this 1978 Series 11 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 1978 Series 11 Bonds are issuable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 1978 Series 11 Bonds. Coupon 1978 Series 11 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 coupon 1978 Series 11 Bonds and/or registered 1978 Series 11 Bonds of any
of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered 1978 Series 11 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 1978 Series 11 Bonds with appropriate coupons attached, and/or 1978 Series 11 Bonds without coupons of any other authorized denominations.

The 1978 Series 11 Bonds are not subject to redemption prior to July 1, 1985.

This 1978 Series 11 Bond is subject to redemption at the election of the Corporation, at any time on and after July 1, 1988, as a whole on any date, 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, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>101½</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>100½</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

The 1978 Series 11 Bonds are also subject to redemption, in part by lot as provided in the Resolutions, on July 1 in each of the years and in the amounts set forth below, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, 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 principal amount of such 1978 Series 11 Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$4,755,000</td>
<td>1992</td>
<td>$12,210,000</td>
</tr>
<tr>
<td>1986</td>
<td>6,800,000</td>
<td>1993</td>
<td>14,950,000</td>
</tr>
<tr>
<td>1987</td>
<td>6,800,000</td>
<td>1994</td>
<td>18,385,000</td>
</tr>
<tr>
<td>1988</td>
<td>11,585,000</td>
<td>1995</td>
<td>21,855,000</td>
</tr>
<tr>
<td>1989</td>
<td>11,585,000</td>
<td>1996</td>
<td>2,050,000</td>
</tr>
<tr>
<td>1990</td>
<td>12,245,000</td>
<td>1997</td>
<td>2,010,000</td>
</tr>
<tr>
<td>1991</td>
<td>12,245,000</td>
<td></td>
<td></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, if any, accrued to the date of such purchase, 1978 Series 11 Bonds payable from such Sinking Fund Installment and apply any 1978 Series 11 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1978 Series 11 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 1978 Series 11 Bonds or portions of the 1978 Series 11 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 1978 Series 11 Bonds. Notice of redemption having been given, as aforesaid, the 1978 Series 11 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 1978 Series 11 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1978 Series 11 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>Meaning</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 entireties</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 (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 Typewrite Name and Address of Transferee

the within 1978 Series 11 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within 1978 Series 11 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 1978 Series 11 Bond in every particular, without alteration or enlargement or any change whatever.

Section 302. No Recourse on 1978 Series 11 Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the 1978 Series 11 Bonds or for any claim based thereon or on the 1978 Series 11 Resolution against any member or officer of the Corporation or any person executing the 1978 Series 11 Bonds and neither the Directors of the Corporation nor any other person executing the 1978 Series 11 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 1978 Series 11 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 1978 Series 11 Bonds in the name of the Corporation and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The Secretary or an Assistant Secretary of the Corporation is hereby authorized and directed to attest by his manual or facsimile signature the execution of the 1978 Series 11 Bonds.

The Trustee is hereby authorized to authenticate by manual or facsimile signature the 1978 Series 11 Bonds, and deliver the same to or upon the order of the Corporation, in such amounts and at such times as the Trustee shall be directed in writing by an Authorized Officer.

ARTICLE IV

MISCELLANEOUS

Section 401. Special Covenants. (1) As used in this subsection (1) all defined terms other than 1978 Series 11 Bonds are as defined in the First General Bond Resolution. The Corporation covenants hereby with the holders of the 1978 Series 11 Bonds that it shall not issue any Bonds, Notes or Other Obligations which would cause 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, and the principal of and interest on Notes and the interest on Other Obligations to be paid in any one Fiscal Year to exceed four hundred twenty-five million dollars. Notwithstanding the foregoing sentence, with respect to up to an aggregate principal amount of twenty-five million dollars of small denomination Notes, as defined in the First General Bond Resolution, for purposes of the foregoing test, debt service shall be determined by assuming that a pro rata amount of such Notes will be redeemed in each Fiscal Year during the period from the date of issuance to the stated date of maturity and interest will accrue on such Notes from the date of issuance and be paid at such assumed dates of redemption; provided, however, that such debt service shall be so determined in such manner only if the resolution or other instrument authorizing the issuance of such small denomination Notes requires the Corporation to deposit annually in a sinking fund established for the payment of such
small denomination Notes an amount at least equal to such pro rata amount and interest thereon.

(2) The Corporation covenants further hereby with the holders of the 1978 Series 11 Bonds that it shall not issue any additional Bonds unless, in addition to the certificates required pursuant to subsection 3 of Section 202 of the Resolution, it delivers to the Trustee at the time of the delivery of such additional Bonds a certificate of an Authorized Officer setting forth that the aggregate of the amounts set forth in paragraphs (1) and (2) of such subsection 3 after deducting the amount set forth pursuant to paragraph (3)(a) of such subsection and the Operating Expenses set forth pursuant to paragraph (3)(a) of such subsection, will be at least 2.0 times the aggregate amount set forth in (3)(b) of such subsection for each Fiscal Year.

(3) The Corporation shall publish (a) within forty-five days after the end of each calendar quarter on an unaudited basis and (b) within ninety days after the end of each Fiscal Year, on the basis of an audit conducted by independent certified public accountants of recognized national standing, a statement of financial position of the Corporation at the end of the period, and the related debt service funds and capital reserve fund statement of transactions and the operating fund statement of transactions for the period then ended, together with notes and exhibits thereto, similar in form to the notes and exhibits (which in any case shall include exhibits showing (i) all Bonds and Notes of the Corporation then outstanding, (ii) a summary of annual debt service funding requirements, and (iii) a summary of total annual debt service payment requirements) published by the Corporation for the Fiscal Year ended June 30, 1978, and both such audited and unaudited financial statements to be prepared in accordance with generally accepted accounting principles consistently applied.

Section 402. State Covenant. (1) In accordance with the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York, being chapter 868 of the Laws of New York of 1975, as amended to the date hereof (herein called the "Control Act"), the Corporation hereby includes in this 1978 Series 11 Resolution the pledge and agreement of the State with the holders of the 1978 Series 11 Bonds that the State will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act)
during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, e, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove a proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 11 Bonds are issued; (f) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 1978 Series 11 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to the Holders of 1978 Series 11 Bonds if at any time (i) there is on deposit in a
separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all Outstanding 1978 Series 11 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 11 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holders of the 1978 Series 11 Bonds is in full force and effect.

(2) If the State shall take any action which is described in Section 402(1) hereinbefore, as an action which the State will not take the Trustee may, on advice of counsel, (i) by suit, action or proceeding in accordance with the New York Civil Practice Law and Rules enforce all rights of Bondholders and (ii) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of Bondholders.

Section 403. Authorized Officers. In addition to those persons defined in Section 101 of the Resolutions as Authorized Officers the Chairman, Executive Director, Deputy Executive Director, Treasurer, Counsel, Secretary and Assistant Secretary of the Corporation are each hereby authorized to issue and deliver the 1978 Series 11 Bonds and apply the proceeds thereof and to deliver and execute in the name and on behalf of the Corporation any certification, opinion, record or other document required by or authorized pursuant to the Resolution, this 1978 Series 11 Resolution or the Bond Purchase Agreement in connection with the issuance of the 1978 Series 11 Bonds.

Section 404. When Effective. The 1978 Series 11 Resolution shall become effective immediately upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 Series 12 Resolution

Authorizing
$60,375,000
1978 SERIES 12 BONDS

Adopted November 14, 1978

Sections 204, 208 and 212 hereof appear as supplemented and amended by resolution of the Corporation adopted November 16, 1978.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 SERIES 12 RESOLUTION AUTHORIZING
$60,375,000
1978 SERIES 12 BONDS

TABLE OF CONTENTS*

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

<table>
<thead>
<tr>
<th>SECTION</th>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>1978 Series 12 Resolution</td>
<td>1</td>
</tr>
<tr>
<td>102</td>
<td>Definitions</td>
<td>1</td>
</tr>
<tr>
<td>103</td>
<td>Authority for the 1978 Series 12 Resolution</td>
<td>2</td>
</tr>
</tbody>
</table>

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF 1978 SERIES 12 BONDS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Authorization of 1978 Series 12 Bonds, Principal Amount, Designation and Series</td>
<td>2</td>
</tr>
<tr>
<td>202</td>
<td>Purposes</td>
<td>2</td>
</tr>
<tr>
<td>203</td>
<td>Date of 1978 Series 12 Bonds</td>
<td>3</td>
</tr>
<tr>
<td>204</td>
<td>Maturity and Interest Rate</td>
<td>3</td>
</tr>
<tr>
<td>205</td>
<td>Interest Payments</td>
<td>3</td>
</tr>
</tbody>
</table>

* This Table of Contents was not part of the Resolution as adopted.
SECTION 206. Denominations, Numbers and Letters ....................... 3
SECTION 207. CUSIP Numbers .............................................. 4
SECTION 208. Places of Payment and Paying Agents ...................... 4
SECTION 209. Optional Redemption of 1978 Series 12 Bonds and Terms 4
SECTION 210. Sinking Fund Installments ................................. 5
SECTION 211. Selection by Lot ............................................. 6
SECTION 212. Sale of the 1978 Series 12 Bonds .......................... 6

ARTICLE III

FORMS AND EXECUTION OF 1978 SERIES 12 BONDS AND COUPONS

SECTION 301. Forms of Bonds and Coupons of 1978 Series 12 Bonds .... 7
SECTION 302. No Recourse on 1978 Series 12 Bonds ..................... 29
SECTION 303. Execution and Authentication of 1978 Series 12 Bonds .... 30

ARTICLE IV

MISCELLANEOUS

SECTION 401. Special Covenants ........................................... 30
SECTION 402. State Covenant ............................................... 31
SECTION 403. Authorized Officers .......................................... 33
SECTION 404. When Effective ............................................... 33
1978 SERIES 12 RESOLUTION AUTHORIZING
$60,375,000
1978 SERIES 12 BONDS

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

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 101. 1978 Series 12 Resolution. This 1978 Series 12 Resolution Authorizing $60,375,000 1978 Series 12 Bonds is supplemental to, and constitutes a Series Resolution within the meaning of and is adopted in accordance with Article X of, the resolution adopted by the Corporation on November 25, 1975, entitled “Second General Bond Resolution” and referred to herein as the “Resolution”.

Section 102. Definitions. (a) All terms which are defined in Section 101 of the Resolution shall have the same meanings, respectively, in this 1978 Series 12 Resolution Authorizing $60,375,000 1978 Series 12 Bonds as such terms are given in said Section 101 of the Resolution.

(b) In addition, as used in this 1978 Series 12 Resolution Authorizing $60,375,000 1978 Series 12 Bonds, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement by and among the Corporation, the Purchasers and the commercial banks, savings banks and insurance companies listed in Schedule I thereto substantially in the form submitted at this meeting.

“1978 Series 12 Bonds” shall mean the Bonds authorized by Article II of this 1978 Series 12 Resolution.

tered form so designated shall be numbered consecutively from 1 upwards in order of issuance. Any 1978 Series 12 Bond in coupon form payable to bearer surrendered to the Trustee in any exchange or transfer pursuant to Section 308 of the Resolution shall be cancelled forthwith by the Trustee upon its books, provided, however, that the Trustee is authorized to retain any 1978 Series 12 Bond in such coupon form so surrendered and to re-issue, if necessary, any such Bond so retained with unmatured coupons representing interest to become due attached thereto in exchange for a registered 1978 Series 12 Bond or Bonds in accordance with the provisions of Section 304 of the Resolution (any such 1978 Series 12 Bonds or coupons so retained by the Trustee shall not be deemed Outstanding while so retained).

Section 207. CUSIP Numbers. The Corporation is hereby authorized, in its discretion or if so requested by the Purchasers, to provide for the assignment of CUSIP numbers for the 1978 Series 12 Bonds and to have such CUSIP numbers printed thereon, and the Corporation may direct the Trustee to use such CUSIP numbers in notices of redemption and on checks payable to registered Bondholders as a convenience to Bondholders, provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the 1978 Series 12 Bonds or as contained in any notice of redemption.

Section 208. Places of Payment and Paying Agents. The principal and Redemption Price of, and interest on, the 1978 Series 12 Bonds in coupon form payable to bearer shall be payable at the following, hereby appointed Paying Agents hereunder: at the corporate trust office of Citibank, N.A., in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at Bank of America National Trust and Savings Association, in the City and County of San Francisco, State of California. The interest on all registered 1978 Series 12 Bonds, and the principal and Redemption Price of all registered 1978 Series 12 Bonds and of all 1978 Series 12 Bonds issued in coupon form payable to bearer and subsequently registered as to principal, shall be payable at the corporate trust office of the Trustee.

Section 209. Optional Redemption of 1978 Series 12 Bonds and Terms. (1) The 1978 Series 12 Bonds shall be subject to redemption at the election of the Corporation, at any time on and after July 1, 1988, as a whole on any date, or in part, by lot, on any interest payment date
or dates, at the following Redemption Prices (expressed as a percentage of the principal amount) plus accrued interest, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>101½%</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>100½%</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

(2) The foregoing notwithstanding, no 1978 Series 12 Bond shall be redeemed at the election of the Corporation unless a sufficient amount of 1978 Series 11 Bonds and 1978 Series 13 Bonds shall also be redeemed so that the ratios of Outstanding 1978 Series 12 Bonds to Outstanding 1978 Series 11 Bonds and to Outstanding 1978 Series 13 Bonds, in each case, immediately prior and immediately subsequent to giving effect to such redemption, in each case, shall remain substantially constant.

Section 210. Sinking Fund Installments. The 1978 Series 12 Bonds maturing on July 1, 1998 shall be subject to redemption, in part, by operation of the Bond Service Fund through application of Sinking Fund Installments as provided in the Resolution commencing on July 1, 1985, as herein provided, upon published notice, as prescribed in Article IV of the Resolution, at the Redemption Price of one hundred per centum (100%) of the principal amount of each 1978 Series 12 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the 1978 Series 12 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 1978 Series 12 Bonds, on July 1 of each of the years set forth in the following table, the amount set forth opposite such year in said table, and the said amount to be paid on each such date is hereby established as and shall consti-
tute a Sinking Fund Installment for retirement of the 1978 Series 12 Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$2,055,000</td>
</tr>
<tr>
<td>1986</td>
<td>2,940,000</td>
</tr>
<tr>
<td>1987</td>
<td>2,940,000</td>
</tr>
<tr>
<td>1988</td>
<td>5,015,000</td>
</tr>
<tr>
<td>1989</td>
<td>5,015,000</td>
</tr>
<tr>
<td>1990</td>
<td>5,300,000</td>
</tr>
<tr>
<td>1991</td>
<td>5,300,000</td>
</tr>
<tr>
<td>1992</td>
<td>$5,285,000</td>
</tr>
<tr>
<td>1993</td>
<td>6,470,000</td>
</tr>
<tr>
<td>1994</td>
<td>7,955,000</td>
</tr>
<tr>
<td>1995</td>
<td>9,455,000</td>
</tr>
<tr>
<td>1996</td>
<td>885,000</td>
</tr>
<tr>
<td>1997</td>
<td>875,000</td>
</tr>
</tbody>
</table>

Section 211. Selection by Lot. If less than all of the 1978 Series 12 Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in accordance with Section 404 of the Resolution.

In giving effect to any redemption by lot pursuant to the Resolution, the Trustee shall use such method as it shall determine to be efficient and equitable in assuring that coupon Bonds in a denomination other than $5,000 are subject to redemption in $5,000 increments in the same manner as coupon Bonds in the denomination of $5,000 or registered Bonds.

Section 212. Sale of the 1978 Series 12 Bonds. (1) The 1978 Series 12 Bonds shall be sold to the Purchasers at a price of 98.075% of the principal amount thereof plus accrued interest to the date of delivery.

(2) The Chairman or Executive Director of the Corporation is hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form submitted to this meeting with such changes, corrections, deletions and additions as may be necessary to give effect to the 1978 Series 12 Resolution.

(3) The Chairman or Executive Director of the Corporation is hereby authorized to sign and deliver to the Purchasers the final Official Statement in substantially the form submitted to this meeting with such changes, corrections, deletions and additions as he shall deem advisable. The Corporation hereby ratifies the delivery, in conjunction with the sale of the 1978 Series 12 Bonds to the Purchasers, of the Preliminary Official Statement dated November 10, 1978.

(4) The 1978 Series 12 Bonds authorized to be issued herein shall be issued and delivered to the Purchasers upon payment therefor to the Trustee for the account of the Corporation in accordance with the Bond Purchase Agreement and the Resolution.
ARTICLE III

FORMS AND EXECUTION OF 1978 SERIES 12 BONDS AND COUPONS

SECTION 301. Forms of Bonds and Coupons of 1978 Series 12 Bonds. Subject to the provisions of the Resolution, the 1978 Series 12 Bonds in coupon form and coupons to be attached thereto and the 1978 Series 12 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 1978 Series 12 Bond)

No. 12- $5,000
[No. 12C-] [$100,000]

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

1978 SERIES 12 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 (hereinafter sometimes referred to as the "State"), 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) [ONE HUNDRED THOUSAND DOLLARS ($100,000)] on the first day of July, 1998, unless redeemed prior thereto as hereinafter provided, and to pay interest thereon at the rate of per centum (%) per annum, payable on July 1, 1979, and semi-annually thereafter on January 1 and on July 1, in each year, from the date hereof to the date of maturity or earlier redemption of this Bond and thereafter at the same rate, until the Corporation's obligation with respect to the payment of such principal sum shall be discharged, but with respect to interest due on or before the maturity of this Bond only 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 [ ] , or, at the option of the holder, at [ ] . The principal of this Bond, if registered, is payable only at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the resolution of the Corporation adopted November 25, 1975, as supplemented, entitled “Second General Bond Resolution” (herein called the “Second General Bond Resolution”), or its successor as trustee (herein called the “Trustee”), in like coin or currency.

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

The Bonds are general obligations of the Corporation payable out of any payments to the Corporation pursuant to Sections 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 (hereinafter sometimes referred to as the "City") 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 and in certain other resolutions of the Corporation, 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 "1978 Series 12 Bonds" (herein called the "1978 Series 12 Bonds"), issued in the aggregate principal amount of $60,375,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation adopted November 14, 1978, entitled "1978 Series 12 Resolution Authorizing $60,375,000 1978 Series 12 Bonds" (said resolutions being herein collectively called the "Resolutions"), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of the Trustee and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 1978 Series 12 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1978 Series 12 Bonds with respect thereto and the terms and conditions upon which the 1978 Series 12 Bonds are issued and may be issued thereunder.

Pursuant to the provisions of section 10-a of the New York State Financial Emergency Act for The City of New York (Chapter 868 of the Laws of New York of 1975), as amended (herein called the "Control Act"), the State has authorized and requires the Corporation to include in any agreement made by the Corporation with holders of its
bonds, issued after September 28, 1978, including the 1978 Series 12 Bonds, and the Corporation hereby includes in this 1978 Series 12 Bond, a pledge and agreement of the State that it will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued (j) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a statewide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued; (f) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two of the Control Act, as in effect on the date the 1978 Series 12 Bonds are issued, or substantially alter the authority of
the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to a holder of a 1978 Series 12 Bond if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all Outstanding 1978 Series 12 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 12 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 1978 Series 12 Bond is in full force and effect.

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 1978 Series 12 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 1978 Series 12 Bonds are issuable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 1978 Series 12 Bonds. Coupon 1978 Series 12 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 coupon 1978 Series 12 Bonds and/or registered 1978 Series 12 Bonds of any of the authorized denominations, in the manner, subject to the conditions and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered 1978 Series 12 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 1978 Series 12 Bonds with appropriate coupons attached, and/or 1978 Series 12 Bonds without coupons of any other authorized denominations.

The 1978 Series 12 Bonds are not subject to redemption prior to July 1, 1985.

The 1978 Series 12 Bonds are subject to redemption at the election of the Corporation at any time on or after July 1, 1988 as a whole on any date, or in part, by lot, on any interest payment date, as provided in the Resolutions, at the following Redemption Prices (expressed as a
percentage of the principal amount) plus accrued interest, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>101½ %</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>100½ %</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

The 1978 Series 12 Bonds are also subject to redemption, in part, by lot, as provided in the Resolutions, on July 1 in each of the years and in the amounts set forth below, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, 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 principal amount of such 1978 Series 12 Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$2,055,000</td>
<td>1992</td>
<td>$5,285,000</td>
</tr>
<tr>
<td>1986</td>
<td>2,940,000</td>
<td>1993</td>
<td>6,470,000</td>
</tr>
<tr>
<td>1987</td>
<td>2,940,000</td>
<td>1994</td>
<td>7,955,000</td>
</tr>
<tr>
<td>1988</td>
<td>5,015,000</td>
<td>1995</td>
<td>9,455,000</td>
</tr>
<tr>
<td>1989</td>
<td>5,015,000</td>
<td>1996</td>
<td>885,000</td>
</tr>
<tr>
<td>1990</td>
<td>5,300,000</td>
<td>1997</td>
<td>875,000</td>
</tr>
<tr>
<td>1991</td>
<td>5,300,000</td>
<td></td>
<td></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, if any, accrued to the date of such purchase, 1978 Series 12 Bonds payable from such Sinking Fund Installment and apply any 1978 Series 12 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1978 Series 12 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 custom-
arily 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 1978 Series 12 Bonds or portions of the 1978 Series 12 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 1978 Series 12 Bonds. Notice of redemption having been given, as aforesaid, the 1978 Series 12 Bonds or portions thereof so called for redemption shall become due and payable at the applicable Redemption Price hereinafore provided, and, from and after the date so fixed for redemption, interest on the 1978 Series 12 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1978 Series 12 Bonds maturing subsequent to the redemption date shall be void.

The 1978 Series 12 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 1978 Series 12 Bonds be payable out of any funds other than those of the Corporation.

This 1978 Series 12 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 1978 Series 12 Bond, or of any coupon appurtenant hereto, by accepting this 1978 Series 12 Bond or coupon shall be conclusively deemed to have agreed that this 1978 Series 12 Bond or coupon is fully negotiable for those purposes.

Neither this 1978 Series 12 Bond nor any coupon 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 other person executing the 1978 Series 12 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 1978 Series 12 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1978 Series 12 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 1978 Series 12 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 fifteenth day of November 1978.

Municipal Assistance Corporation
For The City of New York

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

Chairman

[Seal]

Attest:

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

Secretary

Assistant Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolutions and is one of the 1978 Series 12 Bonds of the Municipal Assistance Corporation For The City of New York.

United States Trust Company
of New York, Trustee

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

Authorized Signature
(Form of Coupon)

No.  \[\ldots\ldots\ldots\ldots\\]  \[\ldots\ldots\ldots\ldots\]  

The Municipal Assistance Corporation for the City of New York on the 1st day of \[\ldots\ldots\ldots\ldots\] 19\[\ldots\ldots\ldots\ldots\] (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 [\[\ldots\ldots\ldots\ldots\] ], or, at the option of the holder, [\[\ldots\ldots\ldots\ldots\] ], upon presentation and surrender of this coupon, being the interest then due on its 1978 Series 12 Bond, No. 12- [No. 12C- \[\ldots\ldots\ldots\ldots\] ]

By  \[\ldots\ldots\ldots\ldots\]  
Chairman, Municipal Assistance Corporation for the City of New York

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

<table>
<thead>
<tr>
<th>Date of Registration</th>
<th>Name of Registered Holder</th>
<th>Authorized Signature</th>
</tr>
</thead>
</table>
(Form of Registered 1978 Series 12 Bond)

[Face of 1978 Series 12 Bond]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
% Due July 1, 1998

1978 Series 12 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 (herein and on the reverse side hereof sometimes called the "State") 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, 1998, unless redeemed prior thereto as hereinafter provided, and to pay to the registered owner hereof interest thereon at the rate of ............... per centum ( %) per annum, payable on July 1, 1979 and semi-annually thereafter on January 1 and on July 1, in each year, from the date shown below to the date of maturity or earlier redemption of this Bond and thereafter at the same rate, 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 "1978 Series 12 Bonds") shall not be a debt of either the State of New York or The City of New York (herein and on the reverse side hereof sometimes called the "City") and neither the State of New York nor The City of New York shall be liable thereon, nor shall the 1978 Series 12 Bonds be payable out of any funds other than those of the Corporation.

This 1978 Series 12 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 other person executing the 1978 Series 12 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 1978 Series 12 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1978 Series 12 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 1978 Series 12 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 , 19 .

Municipal Assistance Corporation
For the City of New York

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

Attest:

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

This Bond is one of the 1978 Series 12 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, TRUSTEE

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

[Reverse of Registered 1978 Series 12 Bond]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 SERIES 12 BOND
% Due July 1, 1998

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, as supplemented, 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 Sections 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 and in certain other resolutions of the Corporation, 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 "1978 Series 12 Bonds" (herein called the "1978 Series 12 Bonds"), issued in the aggregate principal amount of $60,375,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted November 14, 1978, entitled "1978 Series 12 Resolution Authorizing $60,375,000 1978 Series 12 Bonds" (said resolutions being herein collectively called the "Resolutions"), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the Second General Bond Resolution (said trustee and any successor thereto 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 1978 Series 12 Bonds, the nature, extent and manner of enforcement of such pledges,

Pursuant to the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York (Chapter 868 of the Laws of New York of 1975), as amended (herein called the "Control Act"), the State has authorized and requires the Corporation to include in any agreement made by the Corporation with holders of its bonds, issued after September 28, 1978, including the 1978 Series 12 Bonds, and the Corporation hereby includes in this 1978 Series 12 Bonds, a pledge and agreement of the State that it will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued, (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued and paragraph h of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove a proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the
State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued; (f) substantially modify the requirement that the City’s financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two of the Control Act, as in effect on the date the 1978 Series 12 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to a holder of 1978 Series 12 Bonds if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all Outstanding 1978 Series 12 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 12 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 1978 Series 12 Bond is in full force and effect.

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 Bonds Resolution), or, in case less than all the Series of Bonds would be affected thereby, with the consent 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 1978 Series 12 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 1978 Series 12 Bond or Bonds and/or, at the option of the transferee, a coupon 1978 Series 12 Bond or Bonds with appropriate coupons attached, of the same aggregate principal amount and interest rate as the surrendered 1978 Series 12 Bond, as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this 1978 Series 12 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 1978 Series 12 Bonds are issuable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 1978 Series 12 Bonds. Coupon 1978 Series 12 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 coupon 1978 Series 12 Bonds and/or registered 1978 Series 12 Bonds of any of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered 1978 Series 12 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 1978 Series 12 Bonds with appro-
priate coupons attached, and/or 1978 Series 12 Bonds without cou-
pons of any other authorized denominations.

The 1978 Series 12 Bonds are not subject to redemption prior to
July 1, 1985.

The 1978 Series 12 Bonds shall be subject to redemption at the
election of the Corporation at any time on or after July 1, 1988, as
a whole on any date, 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, if any, to the date of redemp-
tion:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

The 1978 Series 12 Bonds are also subject to redemption, in part,
by lot as provided in the Resolutions, on July 1 in each of the years
and in the amounts set forth below, at the Redemption Price of 100%
of the principal amount thereof, plus accrued interest, if any, 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 principal amount of such 1978 Series 12 Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$2,055,000</td>
<td>1992</td>
<td>$5,285,000</td>
</tr>
<tr>
<td>1986</td>
<td>2,940,000</td>
<td>1993</td>
<td>6,470,000</td>
</tr>
<tr>
<td>1987</td>
<td>2,940,000</td>
<td>1994</td>
<td>7,955,000</td>
</tr>
<tr>
<td>1988</td>
<td>5,015,000</td>
<td>1995</td>
<td>9,455,000</td>
</tr>
<tr>
<td>1989</td>
<td>5,015,000</td>
<td>1996</td>
<td>885,000</td>
</tr>
<tr>
<td>1990</td>
<td>5,300,000</td>
<td>1997</td>
<td>875,000</td>
</tr>
<tr>
<td>1991</td>
<td>5,300,000</td>
<td>1998</td>
<td>885,000</td>
</tr>
</tbody>
</table>

The Corporation may, at any time not prior to 12 months prior to an interest payment date on which a Sinking Fund Installment is scheduled to be due, but in no event less than 45 days prior to such date, direct the Trustee to purchase, at a price not in excess of par, plus unpaid interest, if any, accrued to the date of such purchase, 1978 Series 12 Bonds payable from such Sinking Fund Installment and apply any 1978 Series 12 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1978 Series 12 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 1978 Series 12 Bonds or portions of the 1978 Series 12 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 1978 Series 12 Bonds. Notice of redemption having been given, as aforesaid, the 1978 Series 12 Bonds or portions thereof so called for redemption shall become due and payable at the applicable Redemption Price hereinafore provided,
and, from and after the date so fixed for redemption, interest on the 1978 Series 12 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1978 Series 12 Bonds maturing subsequent to the redemption date shall be void.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations (additional abbreviations may also be used though not in the following list):

- TEN COM — as tenants in common
- TEN ENT — as tenants by the entireties
- JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT—
   Custodian
(Cust)
(Minor)
Under Uniform Gifts to Minors Act
(State)
FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Please Insert Social Security or Other Identifying Number of Assignee
(For computer record only)


Please Print or Typewrite Name and Address of Transferee

the within 1978 Series 12 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within 1978 Series 12 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 1978 Series 12 Bond in every particular, without alteration or enlargement or any change whatever.

Section 302. No Recourse on 1978 Series 12 Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the 1978 Series 12 Bonds or for any claim based thereon or on the 1978 Series 12 Resolution against any member or officer of the Corporation or any person executing the 1978 Series 12 Bonds and neither the Directors of the Corporation nor any other person executing the 1978 Series 12 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 1978 Series 12 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 1978 Series 12 Bonds in the name of the Corporation and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The Secretary or an Assistant Secretary of the Corporation is hereby authorized and directed to attest by his manual or facsimile signature the execution of the 1978 Series 12 Bonds.

The Trustee is hereby authorized to authenticate by manual or facsimile signature the 1978 Series 12 Bonds, and deliver the same to or upon the order of the Corporation, in such amounts and at such times as the Trustee shall be directed in writing by an Authorized Officer.

ARTICLE IV

MISCELLANEOUS

SECTION 401. Special Covenants. (1) As used in this subsection (1) all defined terms other than 1978 Series 12 Bonds are as defined in the First General Bond Resolution. The Corporation covenants hereby with the holders of the 1978 Series 12 Bonds that it shall not issue any Bonds, Notes or Other Obligations which would cause 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, and the principal of and interest on Notes and the interest on Other Obligations to be paid in any one Fiscal Year to exceed four hundred twenty-five million dollars. Notwithstanding the foregoing sentence, with respect to up to an aggregate principal amount of twenty-five million dollars of small denomination Notes, as defined in the First General Bond Resolution, for purposes of the foregoing test, debt service shall be determined by assuming that a pro rata amount of such Notes will be redeemed in each Fiscal Year during the period from the date of issuance to the stated date of maturity and interest will accrue on such Notes from the date of issuance and be paid at such assumed dates of redemption; provided, however, that such debt service shall be so determined in such manner only if the resolution or other instrument authorizing the
issuance of such small denomination Notes requires the Corporation to deposit annually in a sinking fund established for the payment of such small denomination Notes an amount at least equal to such pro rata amount and interest thereon.

(2) The Corporation covenants further hereby with the holders of the 1978 Series 12 Bonds that it shall not issue any additional Bonds unless, in addition to the certificates required pursuant to subsection 3 of Section 202 of the Resolution, it delivers to the Trustee at the time of the delivery of such additional Bonds a certificate of an Authorized Officer setting forth that the aggregate of the amounts set forth in paragraphs (1) and (2) of such subsection 3 after deducting the amount set forth pursuant to paragraph (3)(a) of such subsection and the Operating Expenses set forth pursuant to paragraph (3)(c) of such subsection, will be at least 2.0 times the aggregate amount set forth in (3)(b) of such subsection for each Fiscal Year.

(3) The Corporation shall publish (a) within forty-five days after the end of each calendar quarter on an unaudited basis and (b) within ninety days after the end of each Fiscal Year, on the basis of an audit conducted by independent certified public accountants of recognized national standing, a statement of financial position of the Corporation at the end of the period, and the related debt service funds and Capital reserve fund statement of transactions and the operating fund statement of transactions for the period then ended, together with notes and exhibits thereto, similar in form to the notes and exhibits (which in any case shall include exhibits showing (i) all Bonds and Notes of the Corporation then Outstanding, (ii) a summary of annual debt service funding requirements, and (iii) a summary of total annual debt service payment requirements) published by the Corporation for the Fiscal Year ended June 30, 1978, and both such audited and unaudited financial statements to be prepared in accordance with generally accepted accounting principles consistently applied.

Section 402. State Covenant. (1) In accordance with the provisions of Section 10-a of the New York State Financial Emergency Act for the City of New York, being chapter 868 of the Laws of New York of 1975, as amended to the date hereof (herein called the “Control Act”), the Corporation hereby includes in this 1978 Series 12 Resolution the pledge and agreement of the State with the holders of the
1978 Series 12 Bonds that the State will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove a proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 12 Bonds are issued; (f) substantially modify the requirement that the City’s financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 1978 Series 12 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided,
however, that the foregoing pledge and agreement shall be of no further force and effect with respect to the holders of 1978 Series 12 Bonds if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all Outstanding 1978 Series 12 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 12 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of a 1978 Series 12 Bond is in full force and effect.

(2) If the State shall take any action which is described in Section 402(1) hereinafore, as an action which the State will not take the Trustee may, on advice of counsel, (i) by suit, action or proceeding in accordance with the New York Civil Practice Law and Rules enforce all rights of Bondholders and (ii) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of Bondholders.

Section 403. Authorized Officers. The Chairman, Executive Director, Deputy Executive Director, Treasurer, Counsel, Secretary and Assistant Secretary of the Corporation are each hereby authorized to issue and deliver the 1978 Series 12 Bonds and apply the proceeds thereof and to deliver and execute in the name and on behalf of the Corporation any certificate, opinion, record or other document required by or authorized pursuant to the Resolution, this 1978 Series 12 Resolution or the Bond Purchase Agreement in connection with the issuance of the 1978 Series 12 Bonds.

Section 404. When Effective. The 1978 Series 12 Resolution shall become effective immediately upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

1978 Series 13 Resolution

Authorizing $201,100,000 1978 SERIES 13 BONDS

Adopted November 14, 1978

Sections 204, 208 and 211 hereof appear as supplemented and amended by resolution of the Corporation adopted November 16, 1978.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 SERIES 13 RESOLUTION AUTHORIZING
$201,100,000
1978 SERIES 13 BONDS

TABLE OF CONTENTS*

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. 1978 Series 13 Resolution ........................................ 1
SECTION 102. Definitions .......................................................... 1
SECTION 103. Authority for the 1978 Series 13 Resolution .................. 2

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF 1978 SERIES 13 BONDS

SECTION 201. Authorization of 1978 Series 13 Bonds, Principal Amount,
Designation and Series .......................................................... 2
SECTION 202. Purposes .............................................................. 2
SECTION 203. Date of 1978 Series 13 Bonds .................................... 3
SECTION 204. Maturities and Interest Rates .................................... 3
SECTION 205. Interest Payments ................................................ 3

* This Table of Contents was not part of the Resolution as adopted.
SECTION 206. Denominations, Numbers and Letters .......... 3
SECTION 207. CUSIP Numbers ................................... 4
SECTION 208. Places of Payment and Paying Agents .......... 4
SECTION 209. Optional Redemption of 1978 Series 13 Bonds and Terms 5
SECTION 210. Selection by Lot .................................. 6
SECTION 211. Sale of the 1978 Series 13 Bonds ................. 6

ARTICLE III

FORMS AND EXECUTION OF 1978 SERIES 13 BONDS AND COUPONS
SECTION 301. Forms of Bonds and Coupons of 1978 Series 13 Bonds ... 7
SECTION 302. No Recourse on 1978 Series 13 Bonds ............... 29
SECTION 303. Execution and Authentication of 1978 Series 13 Bonds .. 29

ARTICLE IV

MISCELLANEOUS

SECTION 401. Special Covenants ............................... 30
SECTION 402. State Covenant .................................. 31
SECTION 403. Authorized Officers .............................. 33
SECTION 404. When Effective ............................... 33
1978 SERIES 13 RESOLUTION AUTHORIZING

$201,100,000

1978 SERIES 13 BONDS

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

ARTICLE I

Definitions and Statutory Authority

Section 101. 1978 Series 13 Resolution. This 1978 Series 13 Resolution Authorizing $201,100,000 1978 Series 13 Bonds is supplemental to, and constitutes a Series Resolution within the meaning of and is adopted in accordance with Article X of, the resolution adopted by the Corporation on November 25, 1975, entitled “Second General Bond Resolution” and referred to herein as the “Resolution.”

Section 102. Definitions. (a) All terms which are defined in Section 101 of the Resolution shall have the same meanings, respectively, in this 1978 Series 13 Resolution Authorizing $201,100,000 1978 Series 13 Bonds as such terms are given in said Section 101 of the Resolution.

(b) In addition, as used in this 1978 Series 13 Resolution Authorizing $201,100,000 1978 Series 13 Bonds, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement, by and among the Corporation, the Purchasers and the commercial banks, the savings banks, insurance companies (other than the insurance companies listed on Schedule II thereto) and the New York City employee pension funds listed in Schedule I thereto substantially in the form presented at this meeting.

“1978 Series 13 Bonds” shall mean the Bonds authorized by Article II of this 1978 Series 13 Resolution.

“1978 Series 13 Resolution” shall mean this 1978 Series 13 Resolution Authorizing $201,100,000 1978 Series 13 Bonds.
"Purchasers" shall mean the insurance companies listed on Schedule II of the Bond Purchase Agreement.

(c) 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, but shall not include the Corporation.

(d) The terms "hereby," "hereof," "herein," "hereunder," and any similar terms, as used in this 1978 Series 13 Resolution, refer to this 1978 Series 13 Resolution.

Section 103. Authority for the 1978 Series 13 Resolution. The 1978 Series 13 Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II

Authorization, Terms and Issuance of 1978 Series 13 Bonds

Section 201. Authorization of 1978 Series 13 Bonds, Principal Amount, Designation and Series. The 1978 Series 13 Bonds are hereby authorized to be issued in the aggregate principal amount of $201,100,000 pursuant to and subject to the terms, conditions and limitations established in the Resolution and this 1978 Series 13 Resolution and shall be deemed to be Serial Bonds within the meaning of the Resolution. In addition to the title "Bonds," such Series of Bonds shall bear the additional designation of "1978 Series 13" and each as so designated shall be entitled "1978 Series 13 Bond" and may be issued in coupon form payable to bearer and registrable as to principal only or in fully registered form.

Section 202. Purposes. The purposes for which the 1978 Series 13 Bonds are being issued are to make deposits into reserve funds established pursuant to the Act, it being hereby determined that the amount of such deposits, in addition to the amounts currently deposited in such funds, constitute a reasonably required reserve fund; to make deposits
into the Guarantee Fund established pursuant to a resolution of the Corporation, adopted November 14, 1978; to pay a portion of the proceeds to the City upon certification to the Corporation that such payments will have the effect of reducing from the existing level the City's requirements for an advance by the State, during such year or the succeeding fiscal year, of State assistance moneys payable to the City; and to pay a portion of the proceeds to the City to pay expense items currently permitted to be included in the City's capital budget.

Section 203. Date of 1978 Series 13 Bonds. The 1978 Series 13 Bonds shall be dated November 15, 1978, except as otherwise provided in Section 301 of the Resolution with respect to certain registered 1978 Series 13 Bonds issued on or after the first interest payment date. Registered 1978 Series 13 Bonds issued prior to the first interest payment date thereof shall be dated November 15, 1978.

Section 204. Maturities and Interest Rates. The 1978 Series 13 Bonds shall mature on July 1 of each of the years and in the principal amounts and shall bear interest at the rates per annum as set forth below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$6,850,000</td>
<td>7.85%</td>
<td>1992</td>
<td>$17,600,000</td>
<td>8.40%</td>
</tr>
<tr>
<td>1986</td>
<td>9,800,000</td>
<td>7.95</td>
<td>1993</td>
<td>21,550,000</td>
<td>8.40</td>
</tr>
<tr>
<td>1987</td>
<td>9,800,000</td>
<td>8.15</td>
<td>1994</td>
<td>26,500,000</td>
<td>8.40</td>
</tr>
<tr>
<td>1988</td>
<td>16,700,000</td>
<td>8.35</td>
<td>1995</td>
<td>31,500,000</td>
<td>8.45</td>
</tr>
<tr>
<td>1989</td>
<td>16,700,000</td>
<td>8.35</td>
<td>1996</td>
<td>2,950,000</td>
<td>8.50</td>
</tr>
<tr>
<td>1990</td>
<td>17,650,000</td>
<td>8.35</td>
<td>1997</td>
<td>2,900,000</td>
<td>8.50</td>
</tr>
<tr>
<td>1991</td>
<td>17,650,000</td>
<td>8.40</td>
<td>1998</td>
<td>2,950,000</td>
<td>8.50</td>
</tr>
</tbody>
</table>

Section 205. Interest Payments. The 1978 Series 13 Bonds shall bear interest from November 15, 1978, payable on July 1, 1979 and semi-annually thereafter on January 1 and on July 1, in each year, to the date of maturity or earlier redemption, and thereafter shall bear interest at the same rate until the Corporation's obligation with respect to the payment of the principal sum on said 1978 Series 13 Bonds is discharged.

Section 206. Denominations, Numbers and Letters. The 1978 Series 13 Bonds shall be issued in the denomination of $5,000 or $100,000 in the case of 1978 Series 13 Bonds in coupon form payable to
bearer and in the denomination of $5,000 or an integral multiple of $5,000 in the case of 1978 Series 13 Bonds in fully registered form without coupons. The 1978 Series 13 Bonds in coupon form in the denomination of $5,000 shall be numbered 13- and in the denomination of $100,000 shall be numbered and lettered 13C-. The 1978 Series 13 Bonds in fully registered form without coupons shall be numbered and lettered 13R-. Each number and each number and letter designated above shall be followed by the last two digits of the year of maturity and the number of the 1978 Series 13 Bond. 1978 Series 13 Bonds in coupon form so designated and bearing the last two digits of the year of maturity shall be numbered consecutively from 1 upwards and 1978 Series 13 Bonds in fully registered form so designated shall be numbered consecutively from 1 upwards in order of issuance for each such year of maturity. Any 1978 Series 13 Bond in coupon form surrendered to the Trustee in any exchange or transfer pursuant to Section 308 of the Resolution shall be cancelled forthwith by the Trustee upon its books, provided, however, the Trustee is authorized to retain any 1978 Series 13 Bonds in such coupon form so surrendered and to re-issue, if necessary, any such Bond so retained with unmatured coupons representing interest to become due attached thereto in exchange for a registered 1978 Series 13 Bond or Bonds of the same maturity in accordance with the provisions of Section 304 of the Resolution (any such 1978 Series 13 Bonds or coupons so retained by the Trustee shall not be deemed Outstanding while so retained).

Section 207. CUSIP Numbers. The Corporation is hereby authorized, in its discretion or if so requested by the Purchasers, to provide for the assignment of CUSIP numbers for each maturity of the 1978 Series 13 Bonds, and to have such CUSIP numbers printed thereon, and the Corporation may direct the Trustee to use such CUSIP numbers in notices of redemption and on checks payable to registered Bondholders as a convenience to Bondholders, provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the 1978 Series 13 Bonds or as contained in any notice of redemption.

Section 208. Places of Payment and Paying Agents. The principal and Redemption Price of, and interest on, the 1978 Series 13 Bonds
in coupon form payable to bearer shall be payable at the following, hereby appointed Paying Agents hereunder: at the corporate trust office of Citibank, N.A., in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at Bank of America National Trust and Savings Association, in the City and County of San Francisco, State of California. The interest on all registered 1978 Series 13 Bonds, and the principal and Redemption Price of all registered 1978 Series 13 Bonds and of all 1978 Series 13 Bonds issued in coupon form payable to bearer and subsequently registered as to principal, shall be payable at the corporate trust office of the Trustee.

Section 209. Optional Redemption of 1978 Series 13 Bonds and Terms. (1) The 1978 Series 13 Bonds shall be subject to redemption at the election of the Corporation, at any time on and after July 1, 1988, as a whole on any date, or in part, in inverse order of maturity, by lot, on any interest payment date or dates, at the Redemption Prices (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 Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>1011/2</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>1001/2</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

(2) The foregoing notwithstanding, no 1978 Series 13 Bond shall be redeemed at the election of the Corporation unless a sufficient amount of 1978 Series 11 Bonds and 1978 Series 12 Bonds shall also be redeemed so that the ratios of Outstanding 1978 Series 13 Bonds to Outstanding 1978 Series 11 Bonds and to Outstanding 1978 Series 12 Bonds, in each case, immediately prior and immediately subsequent to giving effect to such redemption, in each case, shall remain substantially constant.
SECTION 210. Selection by Lot. If less than all of the 1978 Series 13 Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in accordance with Section 404 of the Resolution.

In giving effect to any redemption by lot pursuant to the Resolution, the Trustee shall use such method as it shall determine to be efficient and equitable in assuring that coupon Bonds in a denomination other than $5,000 are subject to redemption in $5,000 increments in the same manner as coupon Bonds in the denomination of $5,000 or registered Bonds.

SECTION 211. Sale of the 1978 Series 13 Bonds. (1) The 1978 Series 13 Bonds shall be sold to the Purchasers at a price of 98.075% of the principal amount thereof plus accrued interest to the date of delivery.

(2) The Chairman or Executive Director of the Corporation is hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form submitted to this meeting with such changes, corrections, deletions and additions as may be necessary to give effect to the 1978 Series 13 Resolution.

(3) The Chairman or Executive Director of the Corporation are hereby authorized to sign and deliver to the Purchasers the final Official Statement in substantially the form submitted to this meeting with such changes, corrections, deletions and additions as he shall deem advisable. The Corporation hereby ratifies the delivery, in conjunction with the sale of the 1978 Series 13 Bonds to the Purchasers, of the Preliminary Official Statement dated November 10, 1978.

(4) The 1978 Series 13 Bonds authorized to be issued herein shall be issued and delivered to the Purchasers upon payment therefor to the Trustee for the account of the Corporation in accordance with the Bond Purchase Agreement and the Resolution.
ARTICLE III

FORMS AND EXECUTION OF 1978 SERIES 13 BONDS AND COUPONS

SECTION 301. Forms of Bonds and Coupons of 1978 Series 13 Bonds. Subject to the provisions of the Resolution, the 1978 Series 13 Bonds in coupon form and coupons to be attached thereto and the 1978 Series 13 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 1978 Series 13 Bond)

No. 13- $5,000
[No. 13C- [$100,000]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 SERIES 13 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 (hereinafter sometimes referred to as the “State”), 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) [One Hundred Thousand Dollars ($100,000)] on the first day of July, 1979, unless redeemed prior thereto as hereinafter provided, and to pay interest thereon at the rate of three per centum (3%) per annum, payable on July 1, 1979 and semi-annually thereafter on January 1 and on July 1, in each year, from the date hereof to the date of maturity or earlier redemption of this Bond and thereafter at the same rate, until the Corporation’s obligation with respect to the payment of such principal shall be discharged,
but with respect to interest due on or before the maturity of this Bond only 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 [ ], or, at the option of the holder, at [ ].

The principal of this Bond, if registered, is payable only at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the resolution of the Corporation adopted November 25, 1975, as supplemented, entitled "Second General Bond Resolution" (herein called the "Second General Bond Resolution"), or its successor as trustee (herein called the "Trustee"), in like coin or currency.

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

The Bonds are general obligations of the Corporation payable out of any payments to the Corporation pursuant to Sections 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 pur-
suant 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 (hereinafter sometimes referred to as the "City") 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 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 and in certain other resolutions of the Corporation, 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 "1978 Series 13 Bonds" (herein called the "1978 Series 13 Bonds"), issued in the aggregate principal amount of $201,100,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation adopted November 14, 1978, entitled "1978 Series 13 Resolution Authorizing $201,100,000 1978 Series 13 Bonds" (said resolutions being herein collectively called the "Resolutions"), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of the Trustee and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 1978 Series 13 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1978 Series 13 Bonds with respect thereto and the terms and conditions upon which the 1978 Series 13 Bonds are issued and may be issued thereunder.

Pursuant to the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York (Chapter 868 of
the Laws of New York of 1975) as amended (herein called the "Control Act"), the State has authorized and requires the Corporation to include in any agreement made by the Corporation with holders of its bonds issued after September 28, 1978, including the 1978 Series 13 Bonds, and the Corporation hereby includes in this 1978 Series 13 Bond, a pledge and agreement of the State that it will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 13 Bonds are issued (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 13 Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act, or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 13 Bonds are issued; (f) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g)
alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 1978 Series 13 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to a holder of a 1978 Series 13 Bond, if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all outstanding 1978 Series 13 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 13 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 1978 Series 13 Bond is in full force and effect.

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 1978 Series 13 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 1978 Series 13 Bonds are issuable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 1978 Series 13 Bonds. Coupon 1978 Series 13 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 coupon 1978 Series 13 Bonds and/or registered 1978 Series 13 Bonds of the same maturity and any of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered 1978 Series 13 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 1978 Series 13 Bonds with appropriate coupons attached, and/or 1978 Series 13 Bonds without coupons of the same maturity and any other authorized denominations.
The 1978 Series 13 Bonds are not subject to redemption prior to July 1, 1985.

The 1978 Series 13 Bonds are subject to redemption at the election of the Corporation, at any time on or after July 1, 1986, as a whole on any date, or in part, by lot, on any interest payment date, as provided in the Resolutions, at the following Redemption Prices (as defined in the Resolutions) (expressed as a percentage of the principal amount) plus accrued interest, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989</td>
<td>102%</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990</td>
<td>101½%</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991</td>
<td>101%</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992</td>
<td>100½%</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter</td>
<td>100%</td>
</tr>
</tbody>
</table>

In the event that any or all of the 1978 Series 13 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 1978 Series 13 Bonds or portions of the 1978 Series 13 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 1978 Series 13 Bonds. Notice of redemption having been given, as aforesaid, the 1978 Series 13 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 1978 Series 13 Bonds, or portions thereof so called for
redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1978 Series 13 Bonds maturing subsequent to the redemption date shall be void.

The 1978 Series 13 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 1978 Series 13 Bonds be payable out of any funds other than those of the Corporation.

This 1978 Series 13 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 1978 Series 13 Bond, or of any coupon appurtenant hereto, by accepting this 1978 Series 13 Bond or coupon shall be conclusively deemed to have agreed that this 1978 Series 13 Bond or coupon is fully negotiable for those purposes.

Neither this 1978 Series 13 Bond nor any coupon 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 other person executing the 1978 Series 13 Bonds shall be subject to any personal liability or accountability by reason of the issuance thereof.

It is Herewith 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 1978 Series 13 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1978 Series 13 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 1978 Series 13 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 Secre-
tary and the interest coupons hereto attached to be executed by the facsimile signature of said Chairman, all as of the fifteenth day of November, 1978.

Municipal Assistance Corporation
For The City of New York

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

[seal]

Attest:

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

This Bond is one of the Bonds described in the within-mentioned Resolutions and is one of the 1978 Series 13 Bonds of the Municipal Assistance Corporation For The City of New York.

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 [ ], or at the option of the holder at [ ], upon presentation and surrender of this coupon, being the interest then due on its 1978 Series 13 Bond, No. 13- [No. 13C- ].

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

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

<table>
<thead>
<tr>
<th>Date of Registration</th>
<th>Name of Registered Holder</th>
<th>Authorized Signature</th>
</tr>
</thead>
</table>

(Form of Registered 1978 Series 13 Bond)

[Face of 1978 Series 13 Bond]

No. 13R- $...........

Municipal Assistance Corporation
For the City of New York

% Due July 1, 19

1978 Series 13 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 (herein and on the reverse side hereof sometimes called the "State") 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 at the rate of per centum ( %) per annum, payable on July 1, 1979 and semi-
annually thereafter on January 1 and on July 1, in each year, from the date shown below to the date of maturity or earlier redemption of this Bond and thereafter at the same rate, 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 "1978 Series 13 Bonds") shall not be a debt of either the State of New York or The City of New York (herein and on the reverse side hereof sometimes called the "City"), and neither the State of New York nor The City of New York shall be liable thereon, nor shall the 1978 Series 13 Bonds be payable out of any funds other than those of the Corporation.

This 1978 Series 13 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 other person executing the 1978 Series 13 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 1978 Series 13 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1978 Series 13 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 1978 Series 13 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 fifteenth day of November, 1978.

Municipal Assistance Corporation
For The City of New York

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

[seal]

Attest:

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

This Bond is one of the 1978 Series 13 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, TRUSTEE

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

[Reverse of Form of Registered 1978 Series 13 Bond]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1978 SERIES 13 BOND
% Due July 1, 19

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 Title 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, as supplemented, 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 Sections 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 and in certain other resolutions of the Corporation, 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 "1978 Series 13 Bonds" (herein called the "1978 Series 13 Bonds"), issued in the aggregate principal amount of $201,100,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted November 14, 1978, entitled "1978 Series 13 Resolution Authorizing $201,100,000 1978 Series 13 Bonds" (said resolutions being herein collectively called the "Resolutions"), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the Second General Bond Resolution (said trustee and any successor thereto 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 1978 Series 13
Bonds, the nature, extent and manner of enforcement of such pledges,
the rights and remedies of the bearers or registered owners of the 1978
Series 13 Bonds with respect thereto and the terms and conditions upon
which the 1978 Series 13 Bonds are issued and may be issued thereunder.

Pursuant to the provisions of Section 10-a of the New York State
Financial Emergency Act for The City of New York (Chapter 868 of
the Laws of New York of 1975), as amended (herein called the "Control
Act"), the State has authorized and requires the Corporation to in-
clude in any agreement made by the Corporation with holders of its
bonds, issued after September 28, 1978, including the 1978 Series 13
Bonds and the Corporation hereby includes in this 1978 Series 13
Bond, a pledge and agreement of the State that it will not take any
action which will (a) substantially impair the authority of the board
(as defined in the Control Act) during a control period, as defined in
subdivision twelve of Section two of the Control Act as in effect on
the date the 1978 Series 13 Bonds are issued, (i) to approve, dis-
approve, or modify any financial plan or financial plan modification,
including the revenue projections (or any item thereof) contained
therein, subject to the standards set forth in paragraphs a, c, d, e and f
of subdivision one of Section eight of the Control Act as in effect
on the date the 1978 Series 13 Bonds are issued and paragraph b of such
subdivision one as in effect from time to time, (ii) to disapprove a
contract of the City or a covered organization (each as defined in the
Control Act) if the performance of such contract would be inconsistent
with the financial plan or to approve or disapprove a proposed short-
term or long-term borrowing of the City or a covered organization or
any agreement or other arrangement referred to in subdivision four
of Section seven of the Control Act or (iii) to establish and adopt
procedures with respect to the deposit in and disbursement from the
board fund (as defined in the Control Act) of City revenues; (b)
substantially impair the authority of the board to review financial
plans, financial plan modifications, contracts of the City or the covered
organizations and proposed short-term or long-term borrowings of the
City and the covered organizations; (c) substantially impair the inde-
pendent maintenance of a separate fund for the payment of debt
service on bonds and notes of the City; (d) alter the composition of the
board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 13 Bonds are issued; (f) substantially modify the requirement that the City's financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 1978 Series 13 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate or control period provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to a holder of a 1978 Series 13 Bond if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all outstanding 1978 Series 13 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) such 1978 Series 13 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holder of this 1978 Series 13 Bond is in full force and effect.

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 the consent 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 1978 Series 13 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 1978 Series 13 Bond or Bonds and/or at the option of the transferee, a coupon 1978 Series 13 Bond or Bonds with appropriate coupons attached, of the same aggregate principal amount and interest rate as the surrendered 1978 Series 13 Bond, as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this 1978 Series 13 Bond is registered as the holder and absolute owner herefor for the purpose of receiving payment of, or an account of, the principal or Redemption Price (as defined in the Resolutions) hereof and interest due hereon and for all other purposes whatsoever.

The 1978 Series 13 Bonds are issuable in the form of coupon Bonds payable to bearer in the denomination of $5,000 or $100,000 and 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 1978 Series 13 Bonds. Coupon 1978 Series 13 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 coupon 1978 Series 13 Bonds and/or registered 1978 Series 13 Bonds of the same maturity and of any of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon payment of such charges, if any, registered
1978 Series 13 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 1978
Series 13 Bonds with appropriate coupons attached, and/or 1978 Series
13 Bonds without coupons of the same maturity and of any other
authorized denominations.

The 1978 Series 13 Bonds are not subject to redemption prior to
July 1, 1988.

This 1978 Series 13 Bond is subject to redemption at the election
of the Corporation, at any time on and after July 1, 1988, as a whole
on any date, or in part, by lot, on any interest payment date at the
following Redemption Prices (expressed as a percentage of the prin-
cipal amount), plus accrued interest, if any, to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1988 to June 30, 1989 .......</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 1989 to June 30, 1990 .......</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1990 to June 30, 1991 .......</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1991 to June 30, 1992 .......</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1992 and thereafter .........</td>
<td>100</td>
</tr>
</tbody>
</table>

In the event that any or all of the 1978 Series 13 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 news-
paper 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 Man-
hattan, City and State of New York, as provided in the Resolutions,
the first such publication to be not less than 30 days prior to the redemption date, and (b) shall be mailed, postage
prepaid, not less than 30 days before the redemption date to the regis-
tered owners of any 1978 Series 13 Bonds or portions of the 1978
Series 13 Bonds to be redeemed, provided, however, that such mail-
ing 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 1978 Series 13 Bonds. Notice of redemption having been given, as aforesaid, the 1978 Series 13 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 1978 Series 13 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1978 Series 13 Bonds maturing subsequent to the redemption date shall be void.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations (additional abbreviations may also be used though not in the following list):

**TEN COM**—as tenants in common

**TEN ENT**—as tenants by the entireties

**JT TEN**—as joint tenants with right of survivorship and not as tenants in common

**UNIF GIFT MIN ACT**—

<table>
<thead>
<tr>
<th>Custodian</th>
<th>Minor</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Cust)</td>
<td>(Minor)</td>
</tr>
</tbody>
</table>

Under Uniform Gifts to Minors Act

<table>
<thead>
<tr>
<th>State</th>
</tr>
</thead>
</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 Typewrite Name and Address of Transferee

the within 1978 Series 13 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within 1978 Series 13 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 1978 Series 13 Bond in every particular, without alteration or enlargement or any change whatever.

SECTION 302. No Recourse on 1978 Series 13 Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the 1978 Series 13 Bonds or for any claim based thereon or on the 1978 Series 13 Resolution against any member or officer of the Corporation or any person executing the 1978 Series 13 Bonds and neither the Directors of the Corporation nor any other person executing the 1978 Series 13 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 1978 Series 13 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 1978 Series 13 Bonds in the name of the Corporation and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The Secretary or an Assistant Secretary of the Corporation is hereby authorized and directed to attest by his manual or facsimile signature the execution of the 1978 Series 13 Bonds.

The Trustees is hereby authorized to authenticate by manual or facsimile signature the 1978 Series 13 Bonds, and deliver the same to or upon the order of the Corporation, in such amounts and at such times as the Trustee shall be directed in writing by an Authorized Officer.

ARTICLE IV
MISCELLANEOUS

Section 401. Special Covenants. (1) As used in this subsection (1) all defined terms other than 1978 Series 13 Bonds are as defined in the First General Bond Resolution. The Corporation covenants hereby with the holders of the 1978 Series 13 Bonds that it shall not issue any Bonds, Notes or Other Obligations which would cause 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, and the principal of and interest on Notes and the interest on Other Obligations to be paid in any one Fiscal Year to exceed four hundred twenty-five million dollars. Notwithstanding the foregoing sentence, with respect to up to an aggregate principal amount of twenty-five million dollars of small denomination Notes, as defined in the First General Bond Resolution, for purposes of the foregoing test, debt service shall be determined by assuming that a pro rata amount of such Notes will be redeemed in each Fiscal Year during the period from the date of issuance to the stated date of maturity and interest will accrue on such Notes from the date of issuance and be paid at such assumed dates of redemption; provided, however, that such debt service shall be so determined in such manner only if the resolution or other instrument authorizing the issuance of such small denomination Notes requires the Corporation to deposit annually in a sinking fund established for the payment of such small denomination Notes an amount at least equal to such pro rata amount and interest thereon.
(2) The Corporation covenants further hereby with the holders of the 1978 Series 13 Bonds that it shall not issue any additional Bonds unless, in addition to the certificates required pursuant to subsection 3 of Section 202 of the Resolution, it delivers to the Trustee at the time of the delivery of such additional Bonds a certificate of an Authorized Officer setting forth that the aggregate of the amounts set forth in paragraphs (1) and (2) of such subsection 3 after deducting the amount set forth pursuant to paragraph (3) (a) of such subsection and the Operating Expenses set forth pursuant to paragraph (3) (e) of such subsection, will be at least 2.0 times the aggregate amount set forth in (3) (b) of such subsection for each Fiscal Year.

(3) The Corporation shall publish (a) within forty-five days after the end of each calendar quarter on an unaudited basis and (b) within ninety days after the end of each Fiscal Year, on the basis of an audit conducted by independent certified public accountants of recognized national standing, a statement of financial position of the Corporation at the end of the period, and the related debt service funds and capital reserve fund statement of transactions and the operating fund statement of transactions for the period then ended, together with notes and exhibits thereto, similar in form to the notes and exhibits (which in any case shall include exhibits showing (i) all Bonds and Notes of the Corporation then outstanding, (ii) a summary of annual debt service funding requirements, and (iii) a summary of total annual debt service payment requirements) published by the Corporation for the Fiscal Year ended June 30, 1978, and both such audited and unaudited financial statements to be prepared in accordance with generally accepted accounting principles consistently applied.

Section 402. State Covenant. (1) In accordance with the provisions of Section 10-a of the New York State Financial Emergency Act for the City of New York, being chapter 868 of the Laws of New York of 1975, as amended to the date hereof (herein called the "Control Act"), the Corporation hereby includes in this 1978 Series 13 Resolution the pledge and agreement of the State with the holders of the 1978 Series 13 Bonds that the State will not take any action which will (a) substantially impair the authority of the board (as defined in the Control Act) during a control period, as defined in subdivision twelve of Section two of the Control Act as in effect on the date the 1978 Series 13
Bonds are issued (i) to approve, disapprove, or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e and f of subdivision one of Section eight of the Control Act as in effect on the date the 1978 Series 13 Bonds are issued and paragraph b of such subdivision one as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization (as defined in the Control Act) if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove a proposed short-term or long-term borrowing of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section seven of the Control Act or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund (as defined in the Control Act) of City revenues; (b) substantially impair the authority of the board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the board so that the majority of the voting members of the board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the board prior to the time to be determined in accordance with Section thirteen of the Control Act as in effect on the date the 1978 Series 13 Bonds are issued; (f) substantially modify the requirement that the City’s financial statements be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that a report on such audit be furnished to the board; or (g) alter the definition of a control period set forth in such subdivision twelve of Section two, as in effect on the date the 1978 series 13 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect with respect to the holders of 1978 Series 11 Bonds if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient moneys or direct obligations of the United States or obliga-
tions guaranteed by the United States, the principal of and/or interest on which will provide moneys to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all 1978 Series 13 Bonds and irrevocable instructions from the Corporation to such bank, trust company or other fiduciary for such payment of such principal and interest with such moneys shall have been given, or (ii) the 1978 Series 13 Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged. The foregoing pledge and agreement with the holders of the 1978 Series 13 Bonds is in full force and effect.

(2) If the State shall take any action which is described in Section 402(1) hereinbefore, as an action which the State will not take the Trustee may, on advice of counsel, (i) by suit, action or proceeding in accordance with the New York Civil Practice Law and Rules enforce all rights of Bondholders and (ii) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of Bondholders.

Section 403. Authorized Officers. In addition to those persons defined in Section 101 of the Resolutions as Authorized Officers, the Chairman, Executive Director, Deputy Executive Director, Treasurer, Counsel, Secretary and Assistant Secretary of the Corporation are each hereby authorized to issue and deliver the 1978 Series 13 Bonds and apply the proceeds thereof and to deliver and execute in the name and on behalf of the Corporation any certification, opinion, record or other document required by or authorized pursuant to the Resolution, this 1978 Series 13 Resolution or the Bond Purchase Agreement in connection with the issuance of the 1978 Series 13 Bonds.

Section 404. When Effective. The 1978 Series 13 Resolution shall become effective immediately upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.
Resolution of the Municipal Assistance Corporation For The
City of New York With Respect to the Interest Rates On
Certain Of Its Obligations, The Paying Agents Therefor
and Certain Other Matters

Be it Resolved by the Board of Directors of the Municipal Assistance Corporation For The City of New York (the "Corporation") as follows:

1. Pursuant to the provisions of Section 204 of the 1978 Series 11 Resolution of the Corporation adopted November 14, 1978 (the "Series 11 Resolution"), such Section is hereby amended and supplemented to read as follows:

   **Section 204. Maturity and Interest Rate.** The 1978 Series 11 Bonds shall mature on July 1, 1998, in the aggregate principal amount of $139,525,000 and shall bear interest at the rate of 8.6% per annum.

2. Pursuant to the provisions of Section 208 of the Series 11 Resolution, such Section is hereby amended and supplemented to read as follows:

   **Section 208. Places of Payment and Paying Agents.** The principal and Redemption Price of, and interest on, the 1978 Series 11 Bonds in coupon form payable to bearer shall be payable at the following, hereby appointed Paying Agents hereunder: at the corporate trust office of Citibank, N.A., in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at Bank of America National Trust and Savings Association, in the City and County of San Francisco, State of California. The interest on all registered 1978 Series 11 Bonds, and the principal and Redemption Price of all registered 1978 Series 11 Bonds and of all 1978 Series 11 Bonds issued in coupon form payable to bearer and subsequently registered as to principal, shall be payable at the corporate trust office of the Trustee.

3. Subsection 1 of Section 212 of the Series 11 Resolution is hereby amended and supplemented to read as follows:

   **Section 212. Sale of the 1978 Series 11 Bonds.** (1) The 1978 Series 11 Bonds shall be sold to the Purchasers at a price of 98.075%
of the aggregate principal amount thereof plus accrued interest to the date of delivery.

4. Pursuant to the provisions of Section 204 of the 1978 Series 12 Resolution of the Corporation adopted November 14, 1978 (the "Series 12 Resolution"), such Section is hereby amended and supplemented to read as follows:

Section 204. Maturity and Interest Rate. The 1978 Series 12 Bonds shall mature on July 1, 1998, in the aggregate principal amount of $60,375,000 and shall bear interest at the rate of 8 3/8% per annum.

5. Pursuant to the provisions of Section 208 of the Series 12 Resolution, such Section is hereby amended and supplemented to read as follows:

Section 208. Places of Payment and Paying Agents. The principal and Redemption Price of, and interest on, the 1978 Series 12 Bonds in coupon form payable to bearer shall be payable at the following, hereby appointed Paying Agents hereunder: at the corporate trust office of Citibank, N.A., in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at Bank of America National Trust and Savings Association, in the City and County of San Francisco, State of California. The interest on all registered 1978 Series 12 Bonds, and the principal and Redemption Price of all registered 1973 Series 12 Bonds and of all 1978 Series 12 Bonds issued in coupon form payable to bearer and subsequently registered as to principal, shall be payable at the corporate trust office of the Trustee.

6. Subsection 1 of Section 212 of the Series 12 Resolution is hereby amended and supplemented to read as follows:

Section 212. Sale of the 1978 Series 12 Bonds. (1) The 1978 Series 12 Bonds shall be sold to the Purchasers at a price of 98.075% of the aggregate principal amount thereof plus accrued interest to the date of delivery.
7. Pursuant to the provisions of Section 204 of the 1978 Series 13 Resolution of the Corporation adopted November 14, 1978 (the "Series 13 Resolution"), such Section is hereby amended and supplemented to read as follows:

**SECTION 204. Maturities and Interest Rates.** The 1978 Series 13 Bonds shall mature on July 1 of each of the years and in the principal amounts and shall bear interest at the rates per annum as set forth below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>$6,850,000</td>
<td>7.85%</td>
<td>1992</td>
<td>$17,600,000</td>
<td>8.40%</td>
</tr>
<tr>
<td>1986</td>
<td>9,800,000</td>
<td>7.95</td>
<td>1993</td>
<td>21,550,000</td>
<td>8.40</td>
</tr>
<tr>
<td>1987</td>
<td>9,800,000</td>
<td>8.15</td>
<td>1994</td>
<td>26,500,000</td>
<td>8.40</td>
</tr>
<tr>
<td>1988</td>
<td>16,700,000</td>
<td>8.35</td>
<td>1995</td>
<td>31,500,000</td>
<td>8.45</td>
</tr>
<tr>
<td>1989</td>
<td>16,700,000</td>
<td>8.35</td>
<td>1996</td>
<td>2,950,000</td>
<td>8 1/2</td>
</tr>
<tr>
<td>1990</td>
<td>17,650,000</td>
<td>8.40</td>
<td>1997</td>
<td>2,900,000</td>
<td>8 1/2</td>
</tr>
<tr>
<td>1991</td>
<td>17,650,000</td>
<td>8.40</td>
<td>1998</td>
<td>2,950,000</td>
<td>8 1/2</td>
</tr>
</tbody>
</table>

8. Pursuant to the provisions of Section 208 of the Series 13 Resolution, such Section is hereby amended and supplemented to read as follows:

**SECTION 208. Places of Payment and Paying Agents.** The principal and Redemption Price of, and interest on, the 1978 Series 13 Bonds in coupon form payable to bearer shall be payable at the following, hereby appointed Paying Agents hereunder: at the corporate trust office of The Chase Manhattan Bank, N.A., in the Borough of Manhattan, City and County of New York, or, at the option of the holder, at Bank of America National Trust and Savings Association, in the City and County of San Francisco, State of California. The interest on all registered 1978 Series 13 Bonds, and the principal and Redemption Price of all registered 1978 Series 13 Bonds and of all 1978 Series 13 Bonds issued in coupon form payable to bearer and subsequently registered as to principal, shall be payable at the corporate trust office of the Trustee.
Subsection 1 of Section 211 of the Series 13 Resolution is hereby amended and supplemented to read as follows:

Section 211. Sale of the 1978 Series 13 Bonds. (1) The 1978 Series 13 Bonds shall be sold to the Purchasers at a price of 98.075% of the aggregate principal amount thereof plus accrued interest to the date of delivery.

This resolution shall take effect immediately.
ORDER TO TRUSTEE AS TO AUTHENTICATION
AND DELIVERY OF 1978 SERIES 11 BONDS,
1978 SERIES 12 BONDS AND 1978 SERIES 13 BONDS

November 17, 1978

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

Gentlemen:


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 Second General Resolution and payment of the respective principal amounts of the Bonds, as aforesaid, to the Purchasers designated in the Bond Purchase Agreement, against the receipt of said Purchasers therefor, all in accordance with the schedules, as amended by oral instructions from the Corporation, heretofore furnished to you by the Corporation.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By s/Stephen Weinstein
Following discussion, the following resolutions were, upon motion duly made and seconded, unanimously adopted:

RESOLVED, that the 1978 Series 11 Resolution, the 1978 Series 12 Resolution, the 1978 Series 13 Resolution and the Guaranty Fund Resolution, each substantially in the form presented to the meeting, with such non-substantive changes as the Corporation's Counsel, General Counsel and Bond Counsel may in their discretion determine are required, are hereby adopted; and that the interest rate or rates, purchase price and appointment of paying agents with respect to each such Series Resolution be set by a subsequent resolution of the Board supplementing each such Series Resolution; and that the depository under the Guaranty Fund Resolution be appointed by a subsequent resolution of the Board supplementing such Resolution; and

FURTHER RESOLVED, that the form, terms and provisions of the Bond Purchase Agreement and the Agreement to Guarantee, in substantially the form and substance presented to the meeting are hereby approved and that the Chairman and the Executive Director are hereby authorized and empowered to execute said Agreements, with such changes as the Chairman or the Executive Director, in consultation with Counsel to the Corporation, General Counsel and Bond Counsel, may determine are necessary or desirable; and

FURTHER RESOLVED, that the Official Statements of the Corporation for the offer and sale of the 1978 Series 11 Bonds, the 1978 Series 12 Bonds and the 1978 Series 13 Bonds, each substantially in the form presented to the meeting, are hereby approved and distribution of such Official Statements are hereby authorized; and

FURTHER RESOLVED, that, pursuant to the provisions of the Agreement to Guarantee, the surrender for cancellation of notes of The City of New York held by the Corporation, other than bond anticipation notes, in the aggregate principal amount of approximately $3,222,353,000 is hereby authorized; and
FURTHER RESOLVED, that the amendment, with respect to the issuance of obligations of the Corporation, the payment of which shall be guaranteed by the United States of America, to the general bond resolution adopted July 2, 1975, as supplemented and amended, and to the second general bond resolution adopted November 25, 1975, as supplemented, proposed at the meeting is hereby adopted substantially in the form and substance presented at the meeting; and

FURTHER RESOLVED, that the Chairman, Chairman of the Finance Committee, Executive Director, Counsel, Deputy Executive Director, Treasurer, Secretary and each other officer of the Corporation are hereby authorized to execute and deliver all agreements, instruments and documents and to take all such other and further action as such officer(s) in his or her discretion may consider necessary or appropriate to complete the transactions contemplated by the foregoing resolutions and to carry out the intent of such resolutions; and

FURTHER RESOLVED, that the Executive Director, Deputy Executive Director or Treasurer of the Corporation are each authorized to deliver to the Trustee under its first and second general bond resolutions a certificate setting forth the deposits to be made from the proceeds of sale of the 1978 Series 11 Bonds, 1978 Series 12 Bonds and 1978 Series 13 Bonds in accordance with the purposes for which such bonds are issued as set forth in the respective series resolutions.
EXTRACTS OF MINUTES OF BOARD OF DIRECTORS

HELD ON

NOVEMBER 16, 1973


Allen L. Thomas discussed the Official Statement pertaining to the 1978 Series 10 Bonds and reviewed the contents of the Bond Purchase Agreement. Eugene Keilin explained the terms of the 1978 Series 10 Resolution required in connection with the public offering of the 1978 Series 10 Bonds. Following discussion the following resolutions were upon motions duly made and seconded, unanimously adopted:

RESOLVED, that the 1978 Series 10 Resolution, substantially in the form as presented to the meeting, with such non-substantive changes as General Counsel and Bond Counsel may in their discretion decide are required be, and hereby is, adopted; and

FURTHER RESOLVED, that the Official Statement for the offer and sale of the 1978 Series 10 Bonds be, and hereby is, approved and distribution of the Official Statement be, and hereby is, authorized; and

FURTHER RESOLVED, that the issuance of the 1978 Series 10 Bonds pursuant to the Second General Bond Resolution and the 1978 Series 10 Resolution, and the delivery thereof in accordance with the Bond Purchase Agreement be, and hereby are, authorized; and

FURTHER RESOLVED, that the resolution amending the 1973 Series 11 Resolution, 1973 Series 12 Resolution and 1973 Series 13 Resolution, setting forth interest rate and sale price and designating the Paying Agent be, and hereby are, authorized; and

FURTHER RESOLVED, that the resolution appointing the Depository for the Guaranty Fund be, and hereby is, authorized.
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 dates of their terms'
expiration, and their Corporation offices are as follows:

<table>
<thead>
<tr>
<th>Name</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 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>
<tr>
<td>Andrew P. Steffan</td>
<td>December 31, 1980</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 attached hereto as Exhibit D adopted April 7, 1978 are in full force and effect on the date hereof and have not been repealed, modified or amended.

7. Except as set forth in the final Official Statement dated November 17, 1978, attached to this Record of Proceedings as document No. 1\(1)\) and by this reference made a part hereof, there is no action, suit, proceeding or investigation before or by any court or Governmental Authority (as defined in the Bond Purchase Agreement attached to this Record of Proceeding as document No. (the "Agreement") pending (or to the best of the knowledge of the Corporation threatened) overtly threatened against the Corporation or (to the best of the knowledge of the Corporation, no independent investigation having been made) any other person wherein an unfavorable decision, ruling or finding would (a) in any material respect impair the powers, limit the duties or shorten the duration of the
Control Board (as defined in the Agreement), each as referred to in the State Covenant (as defined in the Agreement), (b) in any material respect limit the obligations of the City referred to in the State Covenant or contained in Section 9-a or 9-b of the FCB Act (as defined in the Agreement) or the obligations of the City under the FCB Act to adopt and adhere to balanced budgets, to adopt and adhere to financial plans or to comply with orders of the Control Board, (c) declare the State Covenant or the Adherence Agreement (as defined in the Agreement) invalid or unenforceable in whole or in material part, (d) in any other manner adversely affect provisions for or materially adversely affect sources for payment of the principal of or premium, if any, or interest on the Bonds, as such provisions and sources are described in the Official Statement delivered in connection with the execution hereof, (e) declare the Resolutions, as defined below, the MAC Act (as defined in the Agreement) or the Corporation's obligation under the Bonds to be invalid or unenforceable in whole or in material part, (f) in any material respect adversely affect the transactions contemplated by the Agreement, the issuance of the $401,000,000 1978 Series 11 Bonds, 1978 Series 12 Bonds and 1978 13 Bonds (the "Bonds"), (g) in any way adversely affect any agreement or instrument to which the Corporation is a party which is used or contemplated for use in connection with the consummation of the issuance of the Bonds or (h) restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or which any way contest or affect the validity of the Bonds, and proceedings of the Corporation taken with respect to the issuance thereof, the
pledge or application of any revenues, moneys or securities provided for the payment of the Bonds or the existence or powers of the Corporation.

8. The Second General Bond Resolution of the Corporation adopted November 25, 1975, as supplemented, and the 1978 Series 11 Resolution, 1978 Series 12 Resolution and 1978 Series 13 Resolution of the Corporation, a resolution amending the Second General Bond Resolution adopted November 14, 1978 and a resolution amending each such Series Resolution adopted November 16, 1978 (the "Resolutions"), attached to this Record of Proceedings as documents Nos. 1,3 and 1,4, and copies of each of which are being delivered contemporaneously herewith to the Trustee named in such Resolutions, which I hereby certify pursuant to Section 202 of the Second General Bond Resolution are true and correct copies of the duly adopted originals thereof in their entireties on file and of record in the principal office of the Corporation and that the same are in full force and effect on the date hereof and have not been repealed, modified or amended.

9. The Extracts of Minutes of Meetings of the Corporation attached to this Record of Proceedings as documents Nos. 1,6(a) and 1,6(b) are true and correct copies of the duly adopted originals thereof on file and of record in the principal office of the Corporation and that the same are in full force on the date hereof and have not been repealed, modified or amended.

10. The specimen of the 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 Purchasers referred to in the Resolutions (the "Purchasers")
and said specimen is substantially in the form required by the Resolutions.

We, FELIX G. ROHATYN and STEPHEN J. WEINSTEIN, Chairman and Secretary of the Corporation, HEREBY CERTIFY as follows:

1. The Bonds delivered to the Purchasers on this date, a specimen of which is attached hereto, which Bonds are more fully described in the Resolutions, have been duly and completely executed in the name of the Corporation and on its behalf by the affixing thereof of the facsimile signature of Felix G. Rohatyn, Chairman of the Corporation, who did and does hereby adopt such signature and the affixing thereon of the official seal of the Corporation attested by the facsimile signature of Stephen J. Weinstein, Secretary of the Corporation, who did and does hereby adopt such signature.

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

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

4. The Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolutions or the General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented.

5. (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 is $377,923,788.

(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 Bonds, for each Fiscal Year is as set forth in Exhibit B attached hereto.

(c) The aggregate estimated amount of Operating Expenses for the current Fiscal Year is $550,000.

6. The aggregate of (i) the amount set forth in the certificate of New York State Commissioner of Taxation and Finance, a copy of which is attached to this Record of Proceedings as document No. 1,§ as representing the Sales Tax and Stock Transfer Tax, and (ii) the amount set forth in the certificate attached to this Record of Proceedings as document No. 1,§ 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 in paragraph 5(c) herein, will be at least 2.0 times such aggregate amount set forth in paragraph 5(b) herein. (See attached table, Exhibit C).

7. Each of the representations of the Corporation set forth in Section 2 of the Agreement is true, accurate and complete in all material respects as though made with respect to and as of the date hereof.
8. Each of the agreements of the Corporation set forth in Section 3 of the Agreement to be complied with at or prior to the delivery of the Bonds on the date hereof has been complied with as of the date hereof.

9. The Bonds and the Resolutions conform in all material respects to the description thereof in the final Official Statement.

10. With regard to any representations, agreements or descriptions with respect to the final Official Statement, this certificate is based on the final Official Statement as the same may have been heretofore supplemented or amended as of the date hereof.

11. The Corporation has not issued any Bonds, Notes or Other Obligations which would cause 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, and the principal of and interest on Notes and the interest on Other Obligations to be paid in any one Fiscal Year to exceed four hundred twenty-five million dollars. All defined terms in this paragraph are defined in the General Bond Resolution of the Corporation, adopted July 2, 1975, as amended and supplemented.

12. The following signatures are the true and genuine signatures of the officers who hold the offices set forth after their name:
IN WITNESS WHEREOF, we have hereunto set our hands and the seal of the Corporation this 17th day of November, 1978.

I HEREBY CERTIFY that the signatures of the Officers of The Municipal Assistance Corporation For The City of New York, which appear above are true and genuine and that I know said officers and know them to hold said offices set opposite their signatures.

(Signature)

Title
Senior Vice President

Name of Bank
United States Trust Company of New York

MUNICIPAL ASSISTANCE CORPORATION FOR THE
CITY OF NEW YORK

CUSIP 626190 EL 2

1978 SERIES 12 BOND

DATED NOVEMBER 15, 1978

8 1/4% DOLLAR IOU PAID
PRINCIPAL DUE JANUARY 15, 1988, 1998, 2008 AND THEREAFTER ON
AND THE INTEREST THEREON ON JANUARY 15 AND JULY 15

SUBJECT TO REDEMPTION AT ORIGINAL ISSUE PRICE PLUS ACCRUED INTEREST AND PREMIUM, IF ANY, ON JULY 15
AND JANUARY 15 BEING A ROLLING DATED SERIES WITH THE
FIRST ROLL BEING JULY 15, 1980, AND THEREAFTER ON JULY 15
AND JANUARY 15

SPECIMEN

127.65

SPECIMEN

127.65

SPECIMEN

127.65

SPECIMEN

127.65

SPECIMEN

127.65

SPECIMEN

127.65
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

1978 SERIES 13 BOND

DOLLARS

CERTIFICATE OF AUTHENTICATION

This Bond is one of the 1978 Series 13 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY OF NEW YORK,

Trustee

Authorized Signature

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Attest:

Chairman

Secretary

SEAL 1975
# MUNICIPAL ASSISTANCE CORPORATION

**FOR THE CITY OF NEW YORK**

## SECOND RESOLUTION PAYMENT REQUIREMENTS

**BY FISCAL YEAR**

<table>
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<tr>
<th>FY</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
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<td>1978</td>
<td>31,150,000</td>
<td>113,287,717</td>
<td>144,437,717</td>
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<td>1979</td>
<td>33,745,000</td>
<td>161,228,738</td>
<td>194,973,738</td>
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<tr>
<td>1980</td>
<td>36,555,000</td>
<td>219,840,338</td>
<td>256,395,338</td>
</tr>
<tr>
<td>1981</td>
<td>65,645,000</td>
<td>208,858,139</td>
<td>274,503,139</td>
</tr>
<tr>
<td>1982</td>
<td>70,150,000</td>
<td>203,559,589</td>
<td>273,709,589</td>
</tr>
<tr>
<td>1983</td>
<td>85,815,000</td>
<td>197,460,614</td>
<td>283,275,614</td>
</tr>
<tr>
<td>1984</td>
<td>116,485,000</td>
<td>189,288,276</td>
<td>305,773,276</td>
</tr>
<tr>
<td>1985</td>
<td>126,380,000</td>
<td>179,253,688</td>
<td>305,633,688</td>
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<tr>
<td>1986</td>
<td>149,670,000</td>
<td>167,847,031</td>
<td>317,517,031</td>
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<td>1987</td>
<td>168,055,000</td>
<td>154,719,356</td>
<td>322,774,356</td>
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<td>1988</td>
<td>183,475,000</td>
<td>140,362,144</td>
<td>323,837,144</td>
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<td>1989</td>
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<td>332,744,125</td>
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<td>1990</td>
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<td>107,090,319</td>
<td>337,210,319</td>
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<td>322,639,616</td>
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<td>321,374,860</td>
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<td>1993</td>
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<td>328,709,485</td>
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<td>76,906,731</td>
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<td>1995</td>
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<td>1996</td>
<td>62,810,000</td>
<td>25,060,713</td>
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<td>1998</td>
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<td>1999</td>
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<td>2000</td>
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<td>20,239,863</td>
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<td>2001</td>
<td>18,115,000</td>
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<td>2002</td>
<td>19,700,000</td>
<td>17,200,156</td>
<td>36,900,156</td>
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<td>36,898,256</td>
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<td>13,605,816</td>
<td>36,900,816</td>
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<tr>
<td>2005</td>
<td>25,330,000</td>
<td>11,569,644</td>
<td>36,899,644</td>
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<tr>
<td>2006</td>
<td>27,545,000</td>
<td>9,355,503</td>
<td>36,900,503</td>
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<tr>
<td>2007</td>
<td>29,950,000</td>
<td>6,947,900</td>
<td>36,897,900</td>
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<tr>
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<td>4,329,875</td>
<td>36,899,875</td>
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<tr>
<td>2009</td>
<td>35,415,000</td>
<td>1,483,003</td>
<td>36,898,003</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>2,644,754,184</strong></td>
<td><strong>5,334,619,184</strong></td>
</tr>
</tbody>
</table>
BY-LAWS
OF
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

ARTICLE 1
THE CORPORATION

1.1. Name. The name of the Corporation shall be the "Municipal Assistance Corporation For The City of New York".

1.2 Purposes, Powers and Administration. The 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, created and existing by and under Article 10 of the Public Authorities Law of the State as may be amended from time to time (the "Act"). The purpose for which it is formed, the powers which it may exercise and its administration shall be as set forth in the Act.

1.3. Seal. The Seal of Corporation shall be in the form of a circle and shall bear the name of the Corporation and the year of its creation.

1.4. Offices. The principal office of the Corporation shall be situated within the City of New York, at such location as the Board of Directors shall from time to time designate. Additional offices of the Corporation may be
established by the Board of Directors, at such other places as it may from time to time designate.

1.5. Fiscal Year. The fiscal year of the Corporation shall terminate on the same date as that of The City of New York (the "City"), which is at present the last day of June in each year.
ARTICLE 2
DIRECTORS

2.1. Board of Directors. The Corporation shall be administered by a Board of Directors (the "Board of Directors"), which shall consist of such members serving such terms as specified in the Act.

2.2. Chairman. The Chairman of the Board of Directors (the "Chairman") shall be a Director of the Corporation designated Chairman by the Governor.

2.3. Powers and Duties. The Board of Directors shall have such powers and duties as specified in the Act.

2.4. Compensation. The Directors shall serve without salary, but each Director shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties as a Director of the Corporation and a per diem allowance of One Hundred Dollars ($100) when rendering services as a Director, provided that the aggregate of such per diem allowance to any one Director in any one fiscal year of the Corporation shall not exceed the sum of Five Thousand Dollars ($5,000).
ARTICLE 3

REPRESENTATIVES

There shall be six Representatives to the Board of Directors (the "Representatives"). Each Representative shall be entitled to receive notice of and to attend all meetings of the Board of Directors but shall not be entitled to vote at such meetings. The Speaker and the Minority Leader of the Assembly of the State, the President Pro Tem and the Minority Leader of the Senate of the State, the Board of Estimate of the City acting by majority vote, and the Vice-Chairman of the City Council of the City shall each be entitled to appoint a Representative to the Board of Directors. Each Representative shall serve at the pleasure of the respective appointing official or body, shall be eligible for reappointment, and shall hold office until his or her successor has been appointed.
ARTICLE 4
OFFICERS AND EMPLOYEES

4.1. Officers. The Officers of the Corporation shall be the Chairman, an Executive Director, a Deputy Executive Director, a Counsel, a Treasurer, a Secretary, and such other Officers, if any, as the Board of Directors may from time to time appoint (the "Officers"). Officers of the Corporation, other than the Chairman, need not be Directors. Officers shall have the powers and duties specifically conferred upon them in these By-Laws and such other powers and duties as may be delegated to them in accordance with these By-Laws. All Officers of the Corporation, other than the Chairman, shall be appointed by and shall hold office at the pleasure of the Board of Directors for terms of one year, and may be removed, either with or without cause, at any time, by the Board of Directors.

4.2. Chairman. The Chairman shall be the chief executive officer of the Corporation. The Chairman shall exercise general policy direction and review of the affairs of the Corporation and the performance of the Officers, shall preside at meetings of the Board of Directors at which he or she is present and shall have such other duties as the Board of Directors may direct or as may be specified by law.

4.3. Executive Director. The Executive Director shall be the chief operating officer of the Corporation and shall have the duties and powers of general management and
superintendence of the activities of the Corporation, under the direction of the Board of Directors. In all cases where, and to the extent that, the duties of the other Officers of the Corporation, other than the Chairman, are not specifically prescribed by By-Laws, resolutions of the Corporation or by the Chairman, the Executive Director may prescribe such duties. In addition, he or she shall have all other powers and duties customarily incident to the office of the chief operating officer.

4.4. **Deputy Executive Director.** The Deputy Executive Director shall assist the Executive Director in managing and supervising the operations and activities of the Corporation, under the direction of the Executive Director and the Chairman. He or she shall perform such additional duties as the Chairman, the Board of Directors or the Executive Director shall from time to time specify, and shall have the powers and duties of the Executive Director whenever the Executive Director is unable to act.

4.5. **Counsel.** The Counsel shall be the chief legal officer of the Corporation. He or she shall have all powers and duties customarily incident to the office of counsel, including the rendering of legal advice and opinions with respect to the Corporation's activities, and the approval for legal compliance of all documents of the Corporation.

4.6. **Treasurer.** The Treasurer shall be the chief financial officer of the Corporation, under the direction of
the Executive Director and the Deputy Executive Director. He or she shall, subject to applicable resolutions of the Corporation and applicable provision of the Act, (i) keep or cause to be kept the books of account of the Corporation; (ii) designate the terms and conditions of investment and custody of all funds and securities of the Corporation; and (iii) prepare or cause to be prepared periodic financial statements of the Corporation. At all reasonable times, the Treasurer shall exhibit to any Officer or Director of the Corporation the books of account and any other records which he or she maintains or causes to be maintained; whenever requested by the Board of Directors, the Treasurer shall present to it a statement of accounts.

4.7. Secretary. The Secretary shall act as Secretary of all meetings of the Board of Directors at which he or she is present, and shall keep the minutes of all such meetings in books proper for that purpose. The Secretary shall have power to affix or cause to be affixed the seal of the Corporation to all contracts, certificates, documents, bonds, notes or other obligations and instruments to be executed on behalf of the Corporation and to attest to the same. He or she shall have charge of the books, records and papers of the Corporation relating to its organization and management as a corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed. In addition, the Secretary shall have all other powers and duties customarily incident to the office of secretary.
4.8. **Additional Personnel.** The Executive Director may from time to time employ such additional personnel for the Corporation as he or she may deem necessary or appropriate to exercise the powers, duties and functions of the Corporation as prescribed by law, either as employees of the Corporation or as consultants to the Corporation.

4.9. **Compensation.** Compensation of the Executive Director shall be established by the Board of Directors, and compensation of all other Officers, other than the Chairman, and of additional personnel of the Corporation shall be established by the Executive Director.
ARTICLE 5

MEETINGS

5.1. Annual Meeting. The Annual Meeting of the Corporation shall be held on the final Thursday of September of each year at the principal place of business of the Corporation or at such other time and place as the Chairman may determine. At each Annual Meeting, the Board shall elect the Officers of the Corporation, and shall review the financial statements for the fiscal year ending the preceding June 30. Notice shall not be required for the Annual Meeting unless the Chairman determines that the place or time of the meeting shall be other than as specified herein, in which event notice of the place, date and hour of the Annual Meeting shall be given in person or by telephone to each Director and Representative at his or her address as it appears on the records of the Corporation, not less than two nor more than twenty days before such meeting.

5.2. Additional Meetings. Meetings may be held at the principal office of the Corporation or elsewhere, upon the request of the Chairman or of any two Directors of the Corporation. At any meeting of the Corporation, any business of the Corporation may be transacted.

5.3. Notice. Notice of each additional meeting, specifying the time and place thereof, shall be given prior to such meeting to each Director and Representative, either in person or by telephone call or writing directed to the usual place of business of each such person. Notice of any meeting
required to be given to a Director hereunder shall be deemed to have been given if a waiver in writing is signed by the Director entitled thereto, before, during or after such meeting, or if such Director is present at such meeting. Notwithstanding the above, no action taken by the Board of Directors at any meeting shall be deemed invalid due to the failure to give notice as specified in this section.

5.4. Quorum. At all meetings of the Board of Directors, five Directors shall constitute a quorum for the purpose of transacting business. In the absence of a quorum, a majority of the Directors present may adjourn the meeting from time to time until a quorum is present. No notice need be given of any adjourned meeting to Directors present at the meeting at which adjournment is taken. Notice shall be given to Directors not present at such meeting in accordance with the notice provisions applicable to the meeting adjourned.

5.5. Voting. At any meeting of the Directors, each Director present, in person, shall be entitled to one vote. The Corporation may act by vote of a majority of the Directors present at any meeting at which a quorum is in attendance.

5.6. Presence. Members of the Board of Directors, or members of any committee appointed by the Board of Directors, may participate in a meeting of the Board of Directors or in a meeting of any such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting
shall constitute presence in person at such meeting. Any required notice of the place of a meeting at which participation is by means of conference telephone or similar communication equipment shall be sufficient if it designates as the place of the meeting the place at which one or more of the participants in the meeting is located at the time the meeting is held.

5.7. Delegation. The Corporation may delegate to one or more of its Directors, Officers, agents, or employees such powers and duties not otherwise delegated in these By-Laws or by law as it may deem proper.
ARTICLE 6

COMMITTEES

6.1. Finance Committee. The Board of Directors may, by a majority of the Directors of the Corporation then in office, appoint from among its members a Finance Committee to consist of three or more Directors, one of whom shall be the Chairman of the Board of Directors, who shall also serve as Chairman of the Finance Committee. The Board of Directors may also designate one or more of the Directors as alternates to serve as a member or members of the Finance Committee in the absence of a regular member or members. All members and alternates shall serve at the pleasure of the Board. Except as provided in Section 6.4 of this Article 6, the Finance Committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation.

6.2. Additional Committees. The Board of Directors may, by a majority of the Directors of the Corporation then in office, appoint from among its members such other Committees as it may deem appropriate, with such powers and duties as shall be prescribed by the Board. All members and alternates appointed to such other Committees shall serve at the pleasure of the Board.

6.3. Procedures. For the transaction of business of any Committee of the Board, a majority of the whole Committee shall constitute a quorum and may fix its rules of procedure. Meetings of any Committee shall be held at such
times and places and on such notice, if any, as the Committee may from time to time determine. Meetings may be called by the Chairman of a Committee or by the Chairman of the Board. Except as otherwise specified in the notice thereof, or as required by law or by these By-Laws, any and all authorized business may be transacted at any meeting of a Committee. An attendance record and minutes shall be kept for any meeting of a Committee by its Chairman or any other member.

6.4. Limitations. No Committee shall have the power or authority of the Board in reference to (a) amending the By-Laws, (b) designating Committees; (c) filling vacancies among Committee members; (d) removing Officers; or (e) authorizing the issuance of any notes or bonds or other obligations by the Corporation, unless the power to authorize an issuance is specifically conferred upon the Committee by the Board of Directors. The Board of Directors, by a majority of the Directors of the Corporation then in office, may disband any Committee at any time.
ARTICLE 7

SIGNATURE AUTHORIZATION

The Board of Directors shall determine who shall be authorized to sign documents on behalf of the Corporation. Such authority may be general or confined to specific instances.
ARTICLE 8

INDEMNIFICATION

8.1. The Corporation shall indemnify any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, against any claim, demand, suit, judgment or other action or proceeding, civil or criminal, including an appeal therein, arising by reason of any act or omission to act, or allegation(s) thereof, by any such person in the discharge of his duties on behalf of the Corporation, including reasonable costs, counsel fees and expenses, and including amounts paid in settlement or in satisfaction of judgments or as fines or penalties, in connection with or resulting from any such claim, demand, suit, judgment or other action or proceeding, civil or criminal, whether or not such person continues to be such Director, Representative, Officer, Employee or Consultant at the time such costs, counsel fees or expenses shall have been paid or incurred, except in relation to matters as to which such person is finally adjudged to be liable for gross negligence or wilful misconduct in the performance of his duties to the Corporation.

8.2. In connection with any such claim, demand, suit, judgment or other action or proceeding, any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, shall be entitled to be represented by private counsel of his or her choice.
8.3. The Corporation may, in the discretion of the Board of Directors, advance expenses described in Section 8.1 prior to the final disposition of any such claim, demand, suit, judgment or other action or proceeding.

8.4. The provisions of this article shall be in addition to and shall not supplant any indemnification or other benefits heretofore or hereafter conferred upon directors, representatives, officers, employees and consultants of the corporation by section seventeen of the public officers law, section three thousand twenty of the public authorities or otherwise.
ARTICLE 9

BY-LAWS

8.1. Adoption. These By-Laws shall be effective as of April 7, 1978, as provided in the resolution of the Corporation adopting them, and shall supplant, as of that date, any previously adopted By-Laws of the Corporation.

8.2. Amendment. These By-Laws may be amended by the affirmative vote of two-thirds of the Directors of the Corporation then in office, provided that notice of intention to present such resolution shall be given at least five days prior to the meeting of the Board of Directors at which the motion to adopt such resolution is made.

CERTIFICATE OF THE EXECUTIVE DIRECTOR OF THE MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

I, Eugene J. Kelzin, the Executive Director of the Municipal Assistance Corporation For The City of New York (the "Corporation"), hereby certify that:

1. The Corporation has performed all of its agreements to be performed on or prior to the date hereof pursuant to the Bond Purchase Agreement dated as of November 15, 1973 among the Corporation and the several Purchasers named in Schedule I thereto (the "Bond Purchase Agreement"), the Corporation's Second General Bond Resolution adopted November 15, 1973, as amended and supplemented (the "Second Bond Resolution") and the 1973 Series 11 Resolution, the 1973 Series 12 Resolution and the 1973 Series 13 Resolution, each adopted November 15, 1973 (together with the Second Bond Resolution, the "Resolutions"). After giving effect to the issuance of Bonds (as defined in the Bond Purchase Agreement), on the date hereof, the Corporation will be in compliance with the provisions of Section 4.3 of the Bond Purchase Agreement.

2. The representations and warranties of the Corporation in Section 2 of the Bond Purchase Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof.

3. No event or condition which constitutes an event of default under the Second Bond Resolution, the First Bond Resolution (as defined in the Bond Purchase Agreement) or any other resolution pursuant to which the Corporation has issued Bonds, Notes or other evidences of indebtedness, and no event or condition which, with the passage of time or the giving of notice or both, would constitute such an event of default, has occurred and is continuing.

4. The Corporation is not in default in (a) the payment of the principal of or premium, if any, or interest on any Bond, Note or other evidence of indebtedness issued, assumed or guaranteed by the Corporation, (b) the payment of any amounts payable under any lease, mortgage or conditional sale arrangement securing with the consent of the Corporation the payment of any indebtedness of a public benefit corporation or other governmental agency, instrumentality or body for borrowed
money or (c) the performance or observance of any covenant or a condition under the Resolutions, the Bond Purchase Agreement or the Agreement to Guarantee.

5. No bankruptcy, insolvency or other similar proceedings or moratorium or similar legislation in respect of the Corporation or its obligations is pending or, to the best of my knowledge, contemplated.

6. The prospects for payment of the principal of or premium, if any, or interest on the Bonds when due have not been materially adversely affected since the date of the Bond Purchase Agreement by the existence of a lien, claim, charge or encumbrance (other than as described in the Official Statement delivered in connection with the execution of the Bond Purchase Agreement) or by any legislative, executive or other action or inaction by any Governmental Authority (as defined in the Bond Purchase Agreement), such as but not limited to a failure to appropriate Per Capita Aid, Sales Taxes or Stock Transfer Taxes, each as defined in the Second Bond Resolution, but in any case excluding the issuance by the Corporation of its bonds and notes as permitted by the Resolutions, the First Bond Resolution and the Bond Purchase Agreement.

7. To the best of my knowledge, no Governmental Authority has taken or failed to take any legislative, executive or other action, and no formal declaration by the State Senate, Assembly or Governor or the Corporation has been made, so as to materially adversely affect the prospects that the State will make payments pursuant to Section 3036-a.1 of the MAC Act (as defined in the Bond Purchase Agreement), at the times and to the extent contemplated by such Section.

8. The Bonds and the Resolutions conform in all material respects to the description thereof in the Corporation's Official Statement dated November , 1978 (the "Official Statement").

9. The Official Statement does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in light of the circumstances under
which they were made, not misleading.

10. Nothing has come to the Corporation's attention which would indicate that any of the conditions specified in Section 3 of the Bond Purchase Agreement has not been satisfied as of the date hereof.

IN WITNESS WHEREOF, I have set forth my hand this 17th day of November, 1973.

[Signature]

Executive Director of the Municipal Assistance Corporation For The City of New York
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 twelve (12) consecutive calendar months ended October 31, 1978 of the Sales Tax (p. 4) after deduction of cost of administering, collecting and distributing such tax was $926,097,517

2. The most recent collections for the twelve (12) consecutive calendar months ended October 31, 1978 of the Stock Transfer Tax (p. 5) after deduction of cost of administering, collecting and distributing such tax was $406,735,386

3. The most recent collections for the twelve (12) consecutive calendar months ended October 31, 1978 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 $1,332,832,903
C. 1. The total amount of $1,332,832,903 for the twelve (12) consecutive calendar months ended October 31, 1978 as set forth in Paragraph B above (taking into account, among other factors, those factors set forth in Paragraph E below), is more than the revenues expected by me, taking into account the statements set forth in Paragraph D below, for the next succeeding twelve (12) consecutive calendar months from the Sales Tax and Stock Transfer Tax. It is my expectation that the revenues for the next succeeding twelve (12) calendar months from the combined Sales Tax and Stock Transfer Tax will be approximately $1,273,876,343 for the factors, among others, set forth below in Paragraph C. 2.

2. The amount of Stock Transfer Tax set forth in Paragraph B. 2. is the total of Stock Transfer Tax collected in the prior twelve (12) consecutive calendar months. This amount included a Stock Transfer Tax surcharge of 25% for the first nine (9) calendar months of such twelve (12) month period. The 25% Stock Transfer Tax surcharge expired July 31, 1978. The amount of Stock Transfer Tax for the prior twelve (12) consecutive calendar months computed without the surcharge is $347,778,826. Therefore, the total of Sales Tax and Stock Transfer Tax (without the surcharge) for the prior twelve (12) consecutive months is $1,273,876,343. Accordingly, the total amount of $1,273,876,343 is less than the revenues expected by me, taking into account the statements set forth in Paragraph D below, for the next succeeding twelve (12) consecutive calendar months from the Sales Tax and Stock Transfer Tax.

D. While 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 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 commencing September 1, 1978 from the Sales Tax and Stock Transfer Tax will be less than $1,273,876,343.
E. With respect to Sales Tax collection for the twelve (12) consecutive calendar months ended October 31, 1978, 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 was 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. Such vendors are also required to make an estimated payment of Sales Tax liability for the month of March by the twentieth (20th) day thereof. Commencing September 1977, the same monthly filing requirements were imposed upon vendors with taxable receipts of $100,000 or more in any quarter of the preceding four quarters. However, the latter vendors (those with taxable receipts of $100,000 or more in any quarter of the preceding four quarters) were relieved of monthly reporting and remittance of sales tax as of March 1978 by Chapter 14 of the Laws of 1978. Accordingly, these vendors are now on the normal quarterly reporting system on and after such date. In filing and making 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 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 September 1, 1978. Over-distributions were made to the Special Account which ranged from $2,415,015 to $11,122,699 for certain three-
month periods. The State Department of Taxation and Finance has made reductions in distributions to reflect these overpayments and, in addition, has made increases in distributions on two occasions in the approximate amounts of $1 million and $5 million to reflect under-distributions for certain periods. The Commissioner of Taxation and Finance believes that future adjustments, occasioned by overdistribution to such Special Account, will be reduced as the State Department of Taxation and Finance improves its techniques and procedures for estimating distributions of payments received from large vendors. 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 addition, legislation (Chapter 878 of the Laws of 1977) with respect to the Stock Transfer Tax alters the pattern of flow of Stock Transfer Tax moneys into the Stock Transfer Tax fund. However, it is not expected, at the present time, that such legislation would occasion a change in my expectations set forth in Paragraph C above.

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

[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 ACTING DIRECTOR
OF THE BUDGET OF THE STATE OF NEW YORK

I, HOWARD F. MILLER, Acting Director of the Budget of the State of New York, do HEREBY CERTIFY as follows:

The amount of per capita aid payable to The City of New York pursuant to Section 54 of the State Finance Law, as amended, which has been 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, 1979 was $483,600,000.00.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of November, 1978.

[Signature]

Acting Director of the Budget of the State of New York
15 November 1978

Honorable Arthur Levitt
Comptroller
STATE OF NEW YORK
Department of Audit and Control
A.E. Smith Office Building
Albany, New York 12224

Dear Mr. Levitt:

This letter is to request your approval for sale to various commercial banks, savings banks and insurance companies (the "Financial Institutions") and various New York City Pension Funds (the "Pension Funds") during the four fiscal years 1979 through 1982 of a total aggregate principal amount of up to $1,799,700,000 of bonds of the Municipal Assistance Corporation to be issued pursuant to its Second General Bond Resolution, in accordance with the Bond Purchase Agreement of November 15, 1978 among the Corporation, the Financial Institutions and the Pension Funds (the "Agreement"). A copy of a draft of the Agreement is enclosed herewith; execution copies are expected to be substantially in the form of this draft.

The identities of the purchasers and the amounts of their commitments for the years 1979 through 1982 are set forth in Schedule I of the Agreement.

The bonds to be sold during the 1979 fiscal year will bear interest at the rate of 9% for the $199,900,000 principal amount of term bonds maturing July 1, 1992; and at the rates set forth in Schedule II of the Agreement for the $201,100,000 of serial bonds maturing July 1, 1985 through July 1, 1993. The price of the bonds will be 9%. 
November 15, 1978

Hon. Arthur Levitt
Page Two

The interest rates for the bonds to be sold in the three fiscal years 1979 through 1981 are to be determined in accordance with the procedures set forth in Schedule III of the Agreement, and as explained in the Corporation's letter to you dated November 9, 1978.

Accordingly, we request your approval of these sales pursuant to Section 3012(1)(e) of the Municipal Assistance Corporation Act, as amended.

We further request your approval, pursuant to Section 3011(4) of the Municipal Assistance Corporation Act, as amended, of the system of accounts of the Corporation, including the establishment of the Bond Guaranty Fund, to the extent the same are prescribed in the Second General Bond Resolution of the Corporation, adopted November 25, 1975 and the 1978 Series II, II and III Bond Resolution of the Corporation, adopted November 14, 1978, with regard to the sales in fiscal 1979, the form of series resolutions contained in Exhibit B to the Agreement with regard to the sales in fiscal years 1978 through 1981, and the Bond Guaranty Fund Resolution adopted November 14, 1978.

Your approval is respectfully requested.

Sincerely,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

[Signature]
Executive Director

S.W./Inc

Enclosure

The sale 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, including the establishment of the Bond Guaranty Fund, to the extent the same are prescribed in the Second General Bond Resolution and the 1978 Series II, III and IV Bond Resolutions of the Corporation, the form of series resolutions contained in Exhibit B to the Bond Purchase Agreement of November 15, 1978, and the Bond Guaranty Fund Resolution are hereby approved.

[Signature]
Arthur Levitt, Comptroller of the State of New York

Dated: November 15, 1978
NEW YORK STATE FINANCIAL CONTROL BOARD

Commer S. Coppie, the Executive Director of the Financial Control Board (the "Control Board"), hereby certifies for and on behalf of the Control Board as follows:

1. On November 9, 1978 the Control Board approved a financial plan (the "Financial Plan") pursuant to Section 8 of the New York State Financial Emergency Act for the City of New York. A true and complete copy of the Financial Plan is attached hereto as Exhibit A.

2. In the judgment of the Control Board:

(i) actual and projected borrowings during Fiscal Year 1979, as set forth on the borrowing schedule attached hereto as Exhibit B, are consistent with the projections of the City's seasonal and long-term borrowing requirements for such Fiscal Year as reflected in the Financial Plan and

(ii) actual and projected borrowings, as set forth on the attached borrowing schedule, have been taken into consideration by the Control Board in determining that the cash flow projections included in the Financial Plan are based on reasonable and appropriate assumptions as to sources and uses of cash for the entire period covered by the Financial Plan.

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

NEW YORK STATE FINANCIAL CONTROL BOARD

By  
Executive Director
### Remaining Gap to be Closed by Federal and State Actions

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<thead>
<tr>
<th>1/17</th>
<th>2/19</th>
<th>3/19</th>
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Remaininng gap to be closed by Federal and State Actions for shortfall in Federal and State Actions. Support supplemental and additional City programs to provide remaining gap to be closed by Federal and State Actions for gap to be closed in City program.

### Total Expenditures

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<th>Item</th>
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Total Expenditures

### General Reserve

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### MWB Debt Service Fund

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## Expenditures

### Total Revenues

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Total Revenues

### Less: intra-city revenues

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### Transfers from capital budget for inter-fund agreements

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### Transfers from capital budget for Capitalized Expense

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### Interfund Transfers Intergovernmental Aid

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### State General Grants

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### Municipal Revenues

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### Other Revenues

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### General Property Taxes

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### Revenues

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### Description

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Four-Year Projections of Revenues and Expenditures

New York City Financial Plan.
### Sources of Cash

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Deposits</th>
<th>Capital Deposits - Other</th>
<th>Total Sources of Cash</th>
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<td>$2,214,305</td>
<td>$2,214,305</td>
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<tr>
<td>1980</td>
<td>$2,321,305</td>
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<td>1981</td>
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<tr>
<td>1982</td>
<td>$2,321,305</td>
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### Uses of Cash

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<tr>
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<th>Operating Fund</th>
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<tr>
<td>1980</td>
<td>$3,321,305</td>
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<tr>
<td>1981</td>
<td>$3,321,305</td>
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<td>$3,321,305</td>
</tr>
<tr>
<td>1982</td>
<td>$3,321,305</td>
<td>$0</td>
<td>$3,321,305</td>
</tr>
</tbody>
</table>

### Notes:
- Seasonal loan requirements may range from $50 million to $650 million in FY 1979 and FY 1980.
- Cash balance on hand of period.
- Total sources of cash include:
  - Total Sources of Cash:
    - Other - Interstate Loan Proceeds
    - Proceeds from sale of State of New York City General Obligation Bonds
    - Advance on Account Receivable
    - Seasonal Loans
- Proceeds from Short-Term Borrowing
- Receipt of Reimbursable Capital
- Reimbursement of Short-Term Borrowing
- Other:
  - Disbursements Paid
  - Reimbursement of Capital Deposits
  - Fines, Interest, and Other Reimbursements
- Funds used in Operations:
  - Provision for Disbursement of All Revenues
  - Accrued Liabilities and Other Liabilities
  - Increase (decrease) in accounts payable
  - Increase (decrease) in accounts receivable
  - Transfers from the Capital Fund
  - Purchase (surplus) from Other Reimbursements

**New York City Financial Plan**
($ In Millions)

<table>
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<tr>
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<th>2</th>
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<th>4</th>
<th>Total Financing</th>
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<tr>
<td>Short Term City Borrowing</td>
<td>$</td>
<td>$300-500</td>
<td>$250-450</td>
<td>$(550)-(350)</td>
<td>$ -</td>
</tr>
<tr>
<td>Long Term City Borrowing</td>
<td>106</td>
<td>200</td>
<td>150</td>
<td>150</td>
<td>606</td>
</tr>
</tbody>
</table>

Based on the City's month by month estimates of cash receipts and disbursements for fiscal year 1979, the City does not project any month and cash balance to be less than $100 million during the remainder of the fiscal year.
NEW YORK CITY FINANCIAL PLAN
FOUR YEAR CAPITAL PLAN
CITY AND NON-CITY FUNDS

($ In Millions)

**Projected Capital Commitments**

<table>
<thead>
<tr>
<th></th>
<th>FY 1979</th>
<th>FY 1980</th>
<th>FY 1981</th>
<th>FY 1982</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>772</td>
<td>556</td>
<td>1215</td>
<td>1263</td>
<td>3803</td>
</tr>
<tr>
<td>Non-City</td>
<td>568</td>
<td>684</td>
<td>1341</td>
<td>895</td>
<td>3439</td>
</tr>
<tr>
<td>Total</td>
<td>1340</td>
<td>1240</td>
<td>2556</td>
<td>2158</td>
<td>7277</td>
</tr>
</tbody>
</table>

**Projected Capital Expenditures**

($ In Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 1979</th>
<th>FY 1980</th>
<th>FY 1981</th>
<th>FY 1982</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>338</td>
<td>482</td>
<td>687</td>
<td>749</td>
<td>2256</td>
</tr>
<tr>
<td>Non-City</td>
<td>443</td>
<td>493</td>
<td>573</td>
<td>741</td>
<td>2252</td>
</tr>
<tr>
<td>Total</td>
<td>781</td>
<td>975</td>
<td>1250</td>
<td>1490</td>
<td>4508</td>
</tr>
</tbody>
</table>
# Battery Park City Authority (BPCA) FY 1979 Financial Plan Summary

(in $ millions)

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>FY 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Investments</td>
<td>$ 5.610</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$ 5.610</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$ 1.800</td>
</tr>
<tr>
<td>Other Than Personal Services</td>
<td></td>
</tr>
<tr>
<td>Interest on Series A Bonds</td>
<td>12.428</td>
</tr>
<tr>
<td>Insurance</td>
<td>.240</td>
</tr>
<tr>
<td>Other</td>
<td>.720</td>
</tr>
<tr>
<td>Total Other Than Personal Services</td>
<td>$13.388</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$15.138</td>
</tr>
</tbody>
</table>

Surplus/ (Deficit) ($ 9.578)

## Liquidation of Investments of Series A Bond Proceeds

| Capital Transfers to The Operating Budget | $ 9.578 |

## Capital Expenses:

| Site Acquisition, Relocation, Demolition and Site Preparation | $ 1.430 |
| Civic Facilities included under the Municipal Improvement Waiver | 2.921 |
| Planning and Other Expenses | .120 |
| Total Capital Expenses | $ 4.531 |

Total Liquidation of Investments of Series A Bond Proceeds $14.109
Battery Park City Authority (BPCA)  
Annual Cash Flow Plan for FY 1979  
(in $ million)  

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Investments</td>
<td>$ 5.610</td>
</tr>
<tr>
<td>Project Construction Fund</td>
<td>14.109</td>
</tr>
<tr>
<td>Total</td>
<td>$ 19.719</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$ 1.800</td>
</tr>
<tr>
<td>Other Than Personal Services</td>
<td>13.383</td>
</tr>
<tr>
<td>Capital Expenses</td>
<td>4.531</td>
</tr>
<tr>
<td>Total</td>
<td>$ 19.719</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Construction Fund¹</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>$ 79.982</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>65.873</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>($ 14.109)</td>
</tr>
</tbody>
</table>

Schedule of Projected Borrowings

BPCA projects that it will borrow $81.2 million in FY 1979 for the construction of FHA insured housing.

Footnote:

¹ Estimate derived from FY 1979 BPCA Financial Plan submission and other documents prepared by BPCA.
City University Construction Fund

FY 1979 Financial Plan

Revenues¹

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$27,976,138</td>
</tr>
<tr>
<td>City</td>
<td>27,876,138</td>
</tr>
<tr>
<td>Interest</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Total</td>
<td>$58,252,275</td>
</tr>
</tbody>
</table>

Expenditures

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$53,107,075</td>
</tr>
<tr>
<td>Admin. Costs</td>
<td>2,345,200</td>
</tr>
<tr>
<td>Total</td>
<td>$55,952,275</td>
</tr>
</tbody>
</table>

Surplus

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,300,000</td>
</tr>
</tbody>
</table>

¹does not reflect deposits of student fees from CUNY
City University of the City of New York

FY1979 Financial Plan

($ thousands)

**REVENUES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Aid</td>
<td>$232,756</td>
</tr>
<tr>
<td>Reserve for State Aid Disallowances</td>
<td>(1,250)</td>
</tr>
<tr>
<td>Tuition/Fees/Misc.</td>
<td>132,855</td>
</tr>
<tr>
<td>CETA</td>
<td>7,530</td>
</tr>
<tr>
<td>City Funds</td>
<td>145,034</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$516,925</strong></td>
</tr>
</tbody>
</table>

**EXPENDITURES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Service</td>
<td>$146,265</td>
</tr>
<tr>
<td>Other Than Personal Service</td>
<td>375,910*</td>
</tr>
<tr>
<td>Unallocated Reserve</td>
<td>(5,250)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$516,925</strong></td>
</tr>
</tbody>
</table>

Surplus (Deficit)  

-0-  

*includes senior college costs as a lump sum item*
The New York City Educational Construction Fund

FY1979 Financial Plan

($ thousands)

Revenues

Corporate  10,134
Total Revenues  10,134

Expenditures

Personal Service  260
OTPS  303
Debt Service  6,427
Total Expenditures  6,990
Surplus  3,144
The New York City Educational Construction Fund

Annual Cash Flow Plan for FY1979

($ thousands)

Sources of Funds

Corporate Revenues ................................................. 10,134
Proceeds From Bond Sale ........................................ 84,300
Interest from Construction Accounts .................. 240
Total .......................................................... 94,874

Uses of Funds

Personal Service ................................................. 260
OTPS .................................................................... 303
Debt Service ...................................................... 6,427
Borrowing Fees .................................................... 1,000
Purchase of P. S. 50 from UDC ......................... 9,000
Bond Proceeds Payable to NYC .................. 66,000
Rent Revenue Account Bal. Payable to NYC ........ 8,000
Retained Surplus ...................................................... 3,884
Total .......................................................... 94,874

Schedule of Projected Borrowings

- by Fiscal Quarter -

<table>
<thead>
<tr>
<th>1st Q</th>
<th>2nd Q</th>
<th>3rd Q</th>
<th>4th Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>34,500</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
New York City Health and Hospitals Corporation  
FY-1979 Financial Plan  
(in $ millions)

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>1979 Financial Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Sources</td>
<td>$ 455,382</td>
</tr>
<tr>
<td>Medicaid</td>
<td>447,922</td>
</tr>
<tr>
<td>Medicare</td>
<td>167,571</td>
</tr>
<tr>
<td>Other Third Party</td>
<td>115,806</td>
</tr>
<tr>
<td></td>
<td>$ 1,186,681</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$ 597,621</td>
</tr>
<tr>
<td>OTPS</td>
<td>412,559</td>
</tr>
<tr>
<td>Affiliations</td>
<td>163,000</td>
</tr>
<tr>
<td>City Reserve</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>$ 1,183,180</td>
</tr>
</tbody>
</table>

<p>| Surplus/(Deficit)             | 3,501                |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>Plan FY 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>City Subsidy</td>
<td></td>
</tr>
<tr>
<td>Operating &amp; Debt Service</td>
<td>$15.4</td>
</tr>
<tr>
<td>Housing Police</td>
<td>$29.1</td>
</tr>
<tr>
<td>State Subsidy</td>
<td>$13.5</td>
</tr>
<tr>
<td>Federal Subsidy</td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>$140.2</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$95.6</td>
</tr>
<tr>
<td>Housing Police</td>
<td>$13.0</td>
</tr>
<tr>
<td>Rent</td>
<td>$257.3</td>
</tr>
<tr>
<td>Interest &amp; Other Income</td>
<td>$11.6</td>
</tr>
<tr>
<td>Bronxchester Revenues</td>
<td>$1.6</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$587.3</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td></td>
</tr>
<tr>
<td>City Projects</td>
<td>$33.2</td>
</tr>
<tr>
<td>State Projects</td>
<td>$52.7</td>
</tr>
<tr>
<td>Federal Projects &amp; Leased Housing</td>
<td>$329.6</td>
</tr>
<tr>
<td>Housing Police</td>
<td>$47.1</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td></td>
</tr>
<tr>
<td>City Projects</td>
<td>$9.9</td>
</tr>
<tr>
<td>State Projects</td>
<td>$17.6</td>
</tr>
<tr>
<td>Federal Projects</td>
<td>$95.6</td>
</tr>
<tr>
<td>Bronxchester</td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>$1.0</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$0.6</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$587.3</td>
</tr>
<tr>
<td><strong>Surplus (Deficit)</strong></td>
<td>---</td>
</tr>
<tr>
<td><strong>Projected Borrowings</strong></td>
<td>$10.2 million</td>
</tr>
</tbody>
</table>
1
Does not include $465,000 of City matching funds for CETA Police Officers.

2
The State subsidy as reported here does not include annual payments by the State to the HA for the retirement of modernization notes. These notes are sold to improve the projects transferred from the State program to the Federal Program. In FY 1978, HA reports that these State payments equaled $5.2 million. In FY 1979, HA projects such payments to increase as a result of the expanded Federal Transfer Program.

3
Net of Police revenues attributable to the Federal Program which are included in revenues shown for Housing Police.
<table>
<thead>
<tr>
<th></th>
<th>FY 1979 Financial Plan</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>$0.744</td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>$1.547</td>
<td></td>
</tr>
<tr>
<td>Mortgagor's Debt Service</td>
<td>$30.221</td>
<td></td>
</tr>
<tr>
<td>HUD Section 236 Subsidy</td>
<td>$21.916</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$54.423</td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Housing Program</td>
<td>$.710</td>
<td></td>
</tr>
<tr>
<td><strong>Multifamily Housing Program</strong></td>
<td>1.030</td>
<td></td>
</tr>
<tr>
<td>Subtotal: Operating Expenses</td>
<td>$1.740</td>
<td></td>
</tr>
<tr>
<td>Fees to HPD</td>
<td>$0.380</td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Housing</td>
<td>$22.770</td>
<td></td>
</tr>
<tr>
<td>Multifamily Housing</td>
<td>$24.949</td>
<td></td>
</tr>
<tr>
<td>Subtotal: Debt Service</td>
<td>$47.719</td>
<td></td>
</tr>
<tr>
<td>Multifamily Funds Remitted to City</td>
<td>$3.521</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$53.360</td>
<td></td>
</tr>
<tr>
<td>Surplus or (Deficit)</td>
<td>$1.068</td>
<td></td>
</tr>
</tbody>
</table>
FY 1979

Housing Development Corporation

Schedule of Projected Borrowings
(by fiscal quarter)

($ millions)

<table>
<thead>
<tr>
<th></th>
<th>1st Q</th>
<th>2nd Q</th>
<th>3rd Q</th>
<th>4th Q</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$135.0</td>
<td>$98.0-165.0</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>
New York City
Industrial Development Agency
FY 1979 Financial Plan

<table>
<thead>
<tr>
<th>Revenues</th>
<th>FY 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>$660,000</td>
</tr>
<tr>
<td>Interest</td>
<td>15,312</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$675,312</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$308,196</td>
</tr>
<tr>
<td>Other Than Personal Services</td>
<td>331,824</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$640,020</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Surplus/(Deficit)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 35,292</td>
</tr>
</tbody>
</table>

Schedule of Projected Borrowings

FY 1979: $66 million
NYC Off-Track Betting Corporation
FINANCIAL PLAN SUBMISSION
($ millions)

<table>
<thead>
<tr>
<th>FY 1979 Plan</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**HANDLE**

<table>
<thead>
<tr>
<th></th>
<th>$ 790.1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GROSS REVENUES**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Betting</td>
<td>148.0</td>
</tr>
<tr>
<td>Breakage</td>
<td>33.8</td>
</tr>
<tr>
<td>Surcharge</td>
<td>4.3</td>
</tr>
<tr>
<td>Unclaimed Tickets</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>189.8</td>
</tr>
</tbody>
</table>

**Compensation to the Racing Industry**

<table>
<thead>
<tr>
<th></th>
<th>37.3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EXPENDITURES**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>45.0</td>
</tr>
<tr>
<td><strong>Other Than Personal Services</strong></td>
<td>24.0</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>69.0</td>
</tr>
</tbody>
</table>

**Surplus**

<table>
<thead>
<tr>
<th></th>
<th>83.5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PAYMENTS TO GOVERNMENTS**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to New York State</td>
<td>17.3</td>
</tr>
<tr>
<td>Payments to Local Governments</td>
<td>9.0</td>
</tr>
<tr>
<td>Payments to New York City</td>
<td>57.2</td>
</tr>
<tr>
<td><strong>Total Payments</strong></td>
<td>$ 33.5</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
REHABILITATION MORTGAGE INSURANCE CORPORATION

(REMIC)

FINANCIAL PLAN FOR FY 1979

Revenues

Earnings on Mortgage Ins. Fund $ 570,000
Earnings on Premium Reserve Fund $ 120,000
Insurance Premiums, Fees and other Investments $ 42,000

Total $ 732,000

Expenses

Personal Service $ 145,000
OTPS $ 137,000
Insurance Claims $ - 0 -

Total $ 282,000

Surplus (Deficit) $ 450,000

REMIC does not anticipate undertaking any borrowings during the period covered by the Financial Plan.
Staten Island Rapid Transit Operating Authority
Financial Plan Summary for FY 1979
(in $ millions)

**Revenues**

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fare Revenue</td>
<td>$2.170 m</td>
</tr>
<tr>
<td>City Payments</td>
<td>0.850</td>
</tr>
<tr>
<td>State Payments</td>
<td>0.280</td>
</tr>
<tr>
<td>City Appropriations</td>
<td>4.593</td>
</tr>
<tr>
<td>Advertising &amp; Other</td>
<td>0.030</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$7.353 m</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>$6.107 m</td>
</tr>
<tr>
<td>O.T.P.S.</td>
<td>1.246</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$7.353 m</td>
</tr>
</tbody>
</table>

**Operating Results**

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Surplus (Deficit)</td>
<td>-0-</td>
</tr>
<tr>
<td>Cash Flow Adjustments</td>
<td>(0.332)</td>
</tr>
<tr>
<td>Net Surplus (Deficit)</td>
<td>(0.332)m</td>
</tr>
</tbody>
</table>

**Working Capital**

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>0.532</td>
</tr>
<tr>
<td>Net Surplus (Deficit)</td>
<td>(0.332)</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>0.200 m</td>
</tr>
</tbody>
</table>
NEW YORK CITY TRANSIT AUTHORITY  
and MABSTOA  
CONSOLIDATED FINANCIAL PLANS  
for  
FY1979  

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>FY 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fare Revenue</td>
<td>722.8</td>
</tr>
<tr>
<td>City Payments</td>
<td>301.3</td>
</tr>
<tr>
<td>State Payments</td>
<td>100.0</td>
</tr>
<tr>
<td>Federal Payments</td>
<td>105.1</td>
</tr>
<tr>
<td>TBTA Payments</td>
<td>69.0</td>
</tr>
<tr>
<td>Misc. Revenue</td>
<td>14.8</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
</tr>
</tbody>
</table>

TOTAL REVENUE 1,313.0

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit Operations and General Administration</td>
<td>1,191.4</td>
</tr>
<tr>
<td>Transit Police</td>
<td>96.6</td>
</tr>
<tr>
<td>Capital Engineering</td>
<td>32.1</td>
</tr>
<tr>
<td>Debt Service</td>
<td>11.3</td>
</tr>
<tr>
<td>General Reserve</td>
<td>12.0</td>
</tr>
</tbody>
</table>

TOTAL EXPENSES 1,343.9

OPERATING RESULTS

| Gross Surplus (Deficit) | (30.9) |
| Cash Flow Adjustments | 13.4 |
| Net Surplus (Deficit) | (17.5) |

WORKING CAPITAL

| Opening Balance | 27.5 |
| Net Surplus (Deficit) | (17.5) |
| Closing Balances | 10.0 |
Certain Covered Organizations
Not Currently In Operation
as of November 9, 1979

<table>
<thead>
<tr>
<th>Covered Organization</th>
<th>FY 1979 Revenue Estimate</th>
<th>FY 1979 Aggregate Expenditure Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYC Convention and Exhibition</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Center Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NYC Sports Authority</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Brooklyn Sports Center Authority</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>
November 15, 1978

To The Financial Control Board:

Transmitted for inclusion with the Control Board Certification to be delivered pursuant to Section 3.3 of the MAC Bond Purchase Agreement is the Borrowing Schedule prepared by the City for the 1979 fiscal year.

We hereby certify that this Borrowing Schedule is consistent with the Financial Plan now in effect.

Philip L. Toia
Deputy Mayor for Finance
City of New York

Martin Ives
First Deputy Comptroller
City of New York
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>Description 1</td>
<td>Value 1</td>
</tr>
<tr>
<td>Item 2</td>
<td>Description 2</td>
<td>Value 2</td>
</tr>
<tr>
<td>Item 3</td>
<td>Description 3</td>
<td>Value 3</td>
</tr>
</tbody>
</table>

*Note: The table represents a portion of the document, with partial information due to the image quality.*
NEW YORK STATE FINANCIAL CONTROL BOARD

Comer S. Coppie, the Executive Director of the Financial Control Board (the "Control Board"), hereby certifies for and on behalf of the Control Board as follows:

1. On November 9, 1978, the Control Board approved a financial plan (the "Financial Plan") which (i) with respect to the City and the Board of Education of the City covers Fiscal Year 1979 through Fiscal Year 1982 and was determined by the Control Board to be consistent with applicable provisions of Section 8 of the New York State Financial Emergency Act for the City of New York, as amended (the "Act"), and (ii) with respect to the covered organizations (as defined in the Act) other than the Board of Education of the City, covers Fiscal Year 1979 and, to that extent, was determined by the Control Board to be consistent with applicable provisions of Section 8 of the Act.

2. The Financial Plan is based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which the Control Board has determined are reasonable and appropriate for purposes of fulfilling its statutory obligations under the Act to review and approve or disapprove a financial plan and financial plan modifications. On the basis of such assumptions and methods of estimation, the Financial Plan currently projects (a) that Total Revenues of the City during the current Fiscal Year will be $13,277,000,000 and that the City will not incur a Deficit during the current Fiscal Year and (b) that actual and anticipated seasonal borrowings of the City during the current Fiscal Year will aggregate up to $350,000,000, which is equal to 6.40% of projected Total Revenues.

3. In the judgment of the Control Board, the City is in substantial compliance with all outstanding orders of the Control Board.

4. The Control Board is not aware of any violation of the Act by the City which would substantially impair the ability of the City to adopt or maintain a budget balanced in accordance with the provisions of the Act during each of the fiscal years covered by the Financial Plan.
5. As used herein the terms "Deficit" and "Total Revenues" have the meanings set forth in Section 3.7 of the Bond Purchase Agreement dated as of November 15, 1978 among the Municipal Assistance Corporation For The City of New York and the Purchasers named in Schedule I thereto.

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

NEW YORK STATE FINANCIAL CONTROL BOARD

By

Executive Director
CERTIFICATE OF THE COMPTROLLER OF
THE STATE OF NEW YORK

I, Arthur Levitt, the Comptroller of the State of New York, hereby certifies as follows:

1. The State is not in default in the payment of the principal or premium, if any, or interest on any note, bond or other evidence of indebtedness issued or guaranteed by the State or in the payment of any amounts payable under any lease or other arrangement securing the payment of any indebtedness of a public benefit corporation or other governmental agency or body for borrowed money.

2. No bankruptcy, insolvency or similar proceeding or moratorium or similar legislation in respect of the State or any of its obligations is pending or, to the best of my knowledge, contemplated.

IN WITNESS WHEREOF, I have set forth my hand this 17th day of November, 1978.

[Signature]

Comptroller of the
State of New York
ARBITRAGE CERTIFICATE

I, Harris A. Decker, Treasurer of the Municipal Assistance Corporation for The City of New York (the "Issuer"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation existing under the laws of the State of New York, do hereby certify with respect to the Issuer's $139,525,000 1978 Series 11 Bonds, $60,375,000 1978 Series 12 Bonds, and $201,100,000 Series 13 Bonds (collectively, the "Bonds") to be issued and delivered simultaneously with this certificate as follows:

All references to "Section 103" are to Section 103 of the United States Internal Revenue Code of 1954, as amended (the "Code"). All references to sections beginning with "1.103" are to sections of the proposed regulations published in the Federal Register on May 3, 1973, as amended to the date hereof, relating to Section 103(c) of the Code. Words and phrases which are defined in such proposed regulations have the same meaning when used herein.

I am one of the officers of the Issuer charged by resolution with responsibility for issuing the Bonds and applying the proceeds thereof.

The date, maturities, and rates of interest of the Bonds are as shown in Schedule X attached hereto.

The Bonds are being issued pursuant to a general bond
resolution of the Issuer dated November 25, 1975 (the "Second Resolution") as the first step in a four year plan of financing designed to enable the City of New York (the "City") to bring its expense budget into balance in accordance with generally accepted accounting principles and to reduce its seasonal borrowing requirements, with the purpose of enabling the City to regain access to public securities markets. In order to implement these objectives, the proceeds of the Bonds will be used (i) to pay operating expenses of the City which are included in the City's capital budget, (ii) to pay moneys to the City which will have the effect of reducing the need for certain advances by the State of New York, (iii) to fund a Guaranty Fund required by certain federal legislation and (iv) to augment capital reserve funds established under a general bond resolution of the Issuer dated July 2, 1975 (the "First Resolution") and the Second Resolution.

I reasonably expect the following with respect to the Bonds and the use of the proceeds thereof:

1. The proceeds from the sale of the Bonds are $393,280,750, exclusive of accrued interest for 2 days of $186,259.89. All accrued interest which is received from the sale of the Bonds will be applied to the interest payment due on bonds of the Issuer issued pursuant to the Second Resolution on January 1, 1979.
Such proceeds are to be applied as follows:

Payment to the City immediately $304,030,000
Payment to the City within 30 days $1,850,750
Deposit into Guaranty Fund $27,250,000

Deposit into the Capital Reserve Fund established under the First Resolution $47,000,000
Deposit into the Capital Reserve Fund established under the Second Resolution $13,150,000

2. $304,030,000 of the proceeds to be paid to the City will be so paid immediately upon clearance of checks for proceeds received. $1,850,750 of the proceeds to be so paid will be held by the trustee under the First and Second Resolution of the Issuer and paid to the City prior to the expiration of 30 days from the date hereof. All such amounts will be expended by the City within 90 days of receipt for expense items and, prior to such expenditure, may be invested at an unlimited yield by the City.

3. The proceeds to be deposited in the Guaranty Fund are so deposited pursuant to Public Law number 95-339 of the United States as a condition to the federal guarantee of the payment of principal and interest on certain bonds of the City (the "Guaranteed Bonds") and are to be used to pay principal and interest on such Guaranteed Bonds, to the extent provision for such payment is not made by the City, when due in
accordance with the terms of an agreement made by and among the United States, the State, the New York State Emergency Financial Control Board, and the Issuer, and, if so used, the Issuer has no assurance that such amounts will be repaid to the Issuer.

4. The Bonds are being purchased by a group of commercial banks, savings banks, insurance companies, and pension funds established for the benefit of employees of the City (collectively, the "Purchasers") pursuant to an agreement (the "Purchase Agreement") by and between the Issuer and the Purchasers, at a purchase price of 98.075% of the principal amount thereof. The Purchase Agreement prohibits the resale of such Bonds by the Purchasers prior to the expiration of 60 days from the date hereof. The Issuer has no control over the disposition of the Bonds by the Purchasers following such period of time, and therefore has no reasonable expectations as of this date with respect to the final disposition of the Bonds.

5. Amounts appropriated by the State to pay principal, interest, and Sinking Fund installments on the Bonds (which amounts, together with earnings thereon, are the sole anticipated source of payment thereof) are to be paid, under existing State law, into the Bond Service Fund substantially quarter-annually and
such amounts plus the earnings thereon will be expended for such purpose within thirteen months from the date of their deposit into such fund, which fund will be depleted at least once a year except for an amount not in excess of the greater of one year's earnings thereon or one-twelfth of annual debt service.

6. With reference to the proceeds of the Bonds to be deposited in the Capital Reserve Funds established under the First and Second Resolutions:

(a) $13,150,000 will be deposited in the Capital Reserve Fund established under the Second Resolution as a reasonably required reserve fund for bonds issued pursuant to such Second Resolution (the "Second Resolution Bonds") which are outstanding as of the date hereof, and will be invested without restriction as to yield.

(b) $47,000,000 will be deposited in the Capital Reserve Fund established under the First Resolution as a reasonably required reserve fund for bonds issued pursuant to such First Resolution (the "First Resolution Bonds") which are outstanding as of the date hereof, and will be invested without restriction as to yield.
3-13(f), to one or more prior bond issues
the Issuer as a portion of the proceeds of
prior issue(s) invested as a reasonably
quired reserve fund for such issue(s). Obliga-
sions acquired with original proceeds of such prior
issue(s) and comprising a portion of a reasonably
erquired reserve fund for such issue(s) will be
allocated to the Bonds. The yield on such obliga-
tions will not exceed the yield on the Bonds.

11. The Issuer will accumulate no amounts in any
fund other than the Bond Service Fund and Capital
Reserve Fund established pursuant to the Second
Resolution which it reasonably expects to use, directly
or indirectly, to pay principal or interest on the
Bonds. While other funds and accounts of the Issuer
are subject to a general pledge in favor of the holders
of the Bonds, if amounts in such funds and accounts are
needed for corporate purposes of the Issuer other than
the payment of debt service on the Bonds, they
will be so used. Likewise, the Issuer has a residual
interest in the amounts in the Guaranty Fund to the
extent such amounts are not required to pay the principal
of or interest on the Guaranteed Bonds. Accordingly,
it cannot be said with any reasonable assurance that
any of these amounts will be available for the pay-
ment of debt service on the Bonds if such need should
ever arise.
suer has not received notice that it has been accepted as an Issuer by the Commissioner of Internal Revenue as an Issuer that may issue its bonds, nor has it been advised that the Commissioner is listing the Issuer as a governmental unit that may issue its bonds.

A certification is executed and delivered pursuant to §3(c) and Sections 1.103-13, 1.103-14 and 1.103-15 and red as a part of the transcript of proceedings and filed certificates with respect to the Bonds. To the best of my knowledge and belief of the undersigned, the Issuer's expectation contained herein as to the use of the proceeds of the Bonds is reasonable.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Issuer this 17th day of November, 1978.

[Signature]
Harris A. Pecker
Treasurer
SCHEDULE X

Section 204. Maturity and Interest Rate. The 1973 Series 11 Bonds shall mature on July 1, 1993, in the aggregate principal amount of $109,355,000 and shall bear interest at the rate of 5% per annum.

Section 210. Sinking Fund Installments. The 1973 Series 11 Bonds maturing on July 1, 1993 shall be subject to redemption, in part, by operation of the Bond Service Fund through application of Sinking Fund Installments as provided in the Resolution commencing on July 1, 1993, 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 1973 Series 11 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the 1973 Series 11 Bonds shall then be Outstanding and, subject to the provisions of Section 205 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 1973 Series 11 Bonds, on July 1 of each of the years set forth in the following table, the amount set forth opposite such year in said table, and the said amount to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of the 1973 Series 11 Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>$4,755,000</td>
<td>1992</td>
<td>$12,210,000</td>
</tr>
<tr>
<td>1986</td>
<td>6,300,000</td>
<td>1993</td>
<td>14,350,000</td>
</tr>
<tr>
<td>1987</td>
<td>6,600,000</td>
<td>1994</td>
<td>18,335,000</td>
</tr>
<tr>
<td>1988</td>
<td>11,555,000</td>
<td>1995</td>
<td>21,335,000</td>
</tr>
<tr>
<td>1989</td>
<td>11,555,000</td>
<td>1996</td>
<td>2,050,000</td>
</tr>
<tr>
<td>1990</td>
<td>12,545,000</td>
<td>1997</td>
<td>2,010,000</td>
</tr>
<tr>
<td>1991</td>
<td>12,545,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section 204. Maturity and Interest Rate. The 1973 Series 12 Bonds shall mature on July 1, 1993, in the aggregate principal amount of $60,375,000 and shall bear interest at the rate of 5% per annum.

Section 210. Sinking Fund Installments. The 1973 Series 12 Bonds maturing on July 1, 1993 shall be subject to redemption, in part, by operation of the Bond Service Fund through application of Sinking Fund Installments as provided in the Resolution commencing on July 1, 1993, as herein provided, upon published notice, as prescribed in Article IV of the Resolution, at the Redemption Price of one hundred per centum (100%) of the principal amount of each 1973 Series 12 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date
of redemption. Unless none of the 1978 Series 12 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 1978 Series 12 Bonds, on July 1 of each of the years set forth in the following table, the amount set forth opposite such year in said table, and the said amount to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of the 1978 Series 12 Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>$2,053,000</td>
</tr>
<tr>
<td>1986</td>
<td>2,940,000</td>
</tr>
<tr>
<td>1987</td>
<td>2,940,000</td>
</tr>
<tr>
<td>1988</td>
<td>5,015,000</td>
</tr>
<tr>
<td>1989</td>
<td>5,015,000</td>
</tr>
<tr>
<td>1990</td>
<td>5,300,000</td>
</tr>
<tr>
<td>1991</td>
<td>5,300,000</td>
</tr>
</tbody>
</table>

Section 204. Maturities and Interest Rates. The 1978 Series 13 Bonds shall mature on July 1 of each of the years and in the principal amounts and shall bear interest at the rates per annum as set forth below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>$6,550,000</td>
<td>7.53%</td>
</tr>
<tr>
<td>1986</td>
<td>9,300,000</td>
<td>7.95</td>
</tr>
<tr>
<td>1987</td>
<td>9,800,000</td>
<td>8.15</td>
</tr>
<tr>
<td>1988</td>
<td>16,700,000</td>
<td>8.35</td>
</tr>
<tr>
<td>1989</td>
<td>16,700,000</td>
<td>8.35</td>
</tr>
<tr>
<td>1990</td>
<td>17,650,000</td>
<td>8.55</td>
</tr>
<tr>
<td>1991</td>
<td>17,650,000</td>
<td>8.55</td>
</tr>
<tr>
<td>1992</td>
<td>$17,650,000</td>
<td>8.40%</td>
</tr>
<tr>
<td>1993</td>
<td>21,350,000</td>
<td>8.40</td>
</tr>
<tr>
<td>1994</td>
<td>26,500,000</td>
<td>8.40</td>
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<tr>
<td>1995</td>
<td>31,500,000</td>
<td>8.45</td>
</tr>
<tr>
<td>1996</td>
<td>2,950,000</td>
<td>8 1/2</td>
</tr>
<tr>
<td>1997</td>
<td>2,900,000</td>
<td>8 1/2</td>
</tr>
<tr>
<td>1998</td>
<td>2,950,000</td>
<td>8 1/2</td>
</tr>
</tbody>
</table>

Sale price of all of the Bonds is 98.075%.
November 17, 1978

Mr. Harris A. Decker  
Treasurer  
Municipal Assistance Corporation  
for the City of New York  
New York, New York

Dear Sir:

We are writing to advise you with respect to the use by The City of New York (the "City") of certain monies to be paid to such City by the Municipal Assistance Corporation for The City of New York (the "Corporation") from the proceeds of sale of the Corporation's 1978 Series 11 Bonds, 1978 Series 12 Bonds and 1978 Series 13 Bonds (the "Bonds").

Of any monies paid to the City for the (i) payment of operating expenses included in the City's capital budget or (ii) purpose of reducing the need for certain advances by the State of New York, all such monies will (a) be expended by the City within 90 days of receipt for expense items, (b) if not expended within such thirty (30) days, be invested at an interest rate not in excess of the interest rate on the Bonds, giving effect to discount or premium in each such case.

Yours truly,

[Signature]

Paul M. O'Brien  
Third Deputy Comptroller
CERTIFICATE OF THE DEPUTY MAYOR
FOR FINANCE OF THE CITY OF NEW YORK

Pursuant to Section 11.14 of the
Closing Memorandum Related to the
1978 Series 11, 12 and 13 Bonds

I, PHILLIP L. TOIA, Deputy Mayor For Finance of The
City of New York (the "City"), do HEREBY REPRESENT as follows:

1. I have reviewed the information contained in
the final Official Statement relating to the 1978 Series 11,
12 and 13 Bonds dated November 17, 1978, as the same may have
been heretofore supplemented or amended, of the Municipal
Assistance Corporation For The City of New York (the "Corporation") under the section captioned "Part 9 -- Certain Develop-
ments Affecting the City." Certain of such information which
is referred to in the paragraphs numbered 2 through 22 of
this certificate represents certain public information
contained in the official reports, statements or other
documents of The City of New York, including a final Official
Statement issued today by the City in connection with the sale
of $200 million principal amount of its general obligation
serial bonds. Reference should be made to such official
reports, statements, Official Statement, 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 developed and the Control Board (as defined in the Official Statement) has approved a financial plan for the 1979 fiscal year in which it projects total revenues to equal total expenditures, after the adjustments permitted by the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act (the "Act"), and that the City has also prepared financial plans for the 1980-1982 fiscal years (together with the 1979 Financial Plan, as approved by the Control Board, the "Four Year Financial Plan") which project potential operating budget deficits or budget gaps that the City proposes to close through a combination of Federal, State and City actions, many of which involve the passage of new legislation or adoption of new programs, is fairly presented.

3. The information set forth in such section regarding the development of the Debt Issuance Plan (as defined in the Official Statement), the conditions to which it is subject, including the requirement of the Agreements thereunder that the City close its projected budget gaps, and the City's plans to offer certain bonds and notes in the public credit markets is fairly presented.
4. The information set forth in such section to the effect that an objective of the City's Four Year Financial Plan and the Debt Issuance Plan is to enable the City to meet its financing needs after the 1982 fiscal year without reliance on continued financing assistance from the Federal government and that the City currently expects this objective to be achieved if all the goals and requirements of such plans are met is fairly presented.

5. The information set forth in such section under the subheading "Three Year Financial Plan: Fiscal Years 1976-1978" to the effect that the City, after it lost access to the public credit markets, took a number of steps which were intended to enable it to balance its budget and to regain access to the public credit markets, including accounting reforms and development of a three-year financial plan, is fairly presented.

6. The information set forth in such section under the subheading "Three Year Financial Plan: Fiscal Years 1976-1978" regarding the status of the implementation of the integrated financial management system ("IFMS") and the information that certain elements of the IFMS may not operate in a satisfactory manner for some time is fairly presented.
7. The information contained in such section under the subheading "Three Year Financial Plan: Fiscal Years 1976-1978" to the effect that when the City's Three Year Financial Plan was first submitted to the Control Board for approval, it projected budget gaps in accordance with the Uniform System of Accounts, as adjusted, of approximately $1 billion, $600 million, and $700 million in the 1976, 1977 and 1978 fiscal years, respectively, that to reduce the 1976 and 1977 gaps and close the 1978 gap the City took action to reduce the number of its employees, entered into labor contracts with its municipal labor unions consistent with the assumptions contained in the Three Year Financial Plan and the wage guidelines adopted by the Control Board, increased the transit fare, and began charging general tuition at the City University of New York and that the City received additional State and Federal revenues not projected in its initial Three Year Financial Plan submission is fairly presented.

8. The information set forth in such section under the subheading "Three Year Financial Plan: Fiscal Years 1976-1978" regarding the City's plan to re-enter the public credit markets through an underwritten offering of its revenue anticipation notes in November 1977, the cancellation of that plan and the satisfaction of the City's
seasonal financing needs for the balance of the 1978 fiscal year through borrowing under the Federal Loan Agreement is fairly presented.

9. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982" with respect to actions proposed by the City and others to provide for the City's seasonal and long-term financing and to enable the City to re-enter the public credit markets is fairly presented.

10. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982" regarding the City's budgetary requirements under the Act and the New York State Financial Emergency Act for the City of New York, as amended (the "Emergency Act"), is fairly presented.

11. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982" to the effect that the Emergency Act requires the City to develop before the beginning of each fiscal year a financial plan for the next four fiscal years, that the City submitted and the Control Board approved the City's Four Year Financial Plan for the four fiscal years ending June 30,
1982, including a modification to the 1979 Financial Plan, and that the Control Board has approved 1979 Financial Plans for the covered organizations (as defined in the "Emergency Act") and has directed the City to submit Financial Plans for the covered organizations for fiscal years 1980-1982 by November 22, 1978 is fairly presented.

12. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982" to the effect that (a) the Four Year Financial Plan projects for fiscal year 1979 an operating budget balanced in accordance with the Uniform System of Accounts, as adjusted, (b) for fiscal years 1980 and 1981, the Four Year Financial Plan projects budget gaps of $439 million and $879 million, respectively, determined in accordance with the Uniform System of Accounts, as adjusted, and for fiscal year 1982, a budget gap of $1,023 million, determined in accordance with GAAP and (c) the City anticipates closing these budget gaps by a combination of City, State and Federal actions is fairly presented.

13. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982" to the effect that (a) although the City believes that the estimates in the Four Year Financial Plan,
which are based on past revenues received and expenditures incurred, as well as analysis of economic trends and the status of legislation affecting the City's finances, are reasonable, budgetary projections are inherently uncertain of attainment and subject to continuing change and reevaluation, especially when they extend over several years and are dependent upon noncontrollable events, and the City has explicitly disclaimed any representation or warranty that such estimates will be realized, (b) substantial changes were made in the City's estimates of various revenues, expenses and cash flow during the term of the Three Year Financial Plan and similar changes are expected to be made during the term of the Four Year Financial Plan, (c) the City's ability to achieve a balanced budget in any fiscal year is affected by policies established by the State and Federal governments and (d) many of the City's proposals to close the estimated budget gaps require Federal or State legislative or administrative action is fairly presented.

14. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982 -- 1979 Financial Plan" to the effect that the 1979 Financial Plan (as defined in the Official Statement), as modified November 9, 1978, (a) implements a selective
hiring and promotion freeze announced by the Mayor on
September 15, 1978 projected to produce a 2.7% decline
in the number of City funded employees at the end of the
1979 fiscal year compared to the start of the fiscal year and
(b) revises certain revenue estimates and provides for
implementation of a number of management improvements to
offset $63 million of potential expenditure increases and
revenue shortfalls identified by the Control Board is fairly
presented.

15. The information set forth in such section
under the subheading "Four Year Financial Plan: Fiscal Years
1979-1982--Fiscal Years 1980-1982" to the effect that (a) to
close the 1980 budget gap the City plans to take actions
yielding $139 million in expenditure reductions or revenue
increases and proposes that the State and Federal governments
provide $300 million of additional assistance and (b) the
proposed City contributions toward closing the budget gaps in
fiscal years 1981 and 1982 are $303 million and $427 million,
respectively, and the State and Federal contributions proposed
by the City are $576 million in 1981 and $601 million in 1982
is fairly presented.
16. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982--Fiscal Years 1980-1982" regarding planned City actions in 1980, 1981 and 1982, including attrition at the rate of 4% in each year, the Mayor's stated intention to present to the Control Board a detailed work force reduction program and an attrition program for 1980, consideration by the City of possible reduction or elimination of other programs or services, including hospital closings by HHC, and planned management improvement and cost containment programs specified for 1980 and, if necessary, developed for the 1981 and 1982 fiscal years is fairly presented.

17. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982 -- Fiscal Years 1980-1982" with respect to the revenues which could be provided by additional State and Federal actions proposed by the City and others and the amounts of the budget gaps proposed to be closed by such actions is fairly presented.

18. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1980--Fiscal Years 1980-1982" to the effect that the City was sufficiently successful in its cost-saving
and revenue-generating programs and received sufficient Federal and State revenues to reduce its deficits under the Uniform System of Accounts, as adjusted, below the initially projected levels in its 1976 and 1977 fiscal years, and to report no deficit for fiscal 1978 is fairly presented.

19. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982--Fiscal Years 1980-1982" to the effect that the City (a) has developed, at the request of the Control Board, a supplemental program of City actions to reduce the budget gap in the event of a shortfall in State and Federal assistance from the desired level, which program includes a 6% attrition program, various expenditure reductions and potential increased revenues from local sources, (b) has developed a second supplemental program to further reduce budget gaps, which program includes an 8% attrition program, termination of half of all CETA employees partially funded by the City and either reductions in pay to all workers or layoffs, and (c) projects that after implementation of both these supplemental programs, it will require State and Federal actions of $189 million, $201 million and $119 million to close the remaining budget gaps in fiscal years 1980, 1981 and 1982, respectively, is fairly presented.
20. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982 -- Fiscal Years 1980-1982" with respect to (a) the potential effect on real estate tax collections of a court decision and recent legislation and the shift in the real property tax burden; (b) the assumptions of the Four Year Financial Plan regarding labor contracts to be negotiated in fiscal 1980 and the increase in other-than-personal-services costs; and (c) the potential amounts of contributions by the City to the Health and Hospitals Corporation and other covered organizations is fairly presented.

21. The information set forth in such section under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982 -- Cash Sources" in relation to (a) the sources anticipated to be used by the City to meet its net cash needs during the Four Year Financial Plan period, (b) the projected seasonal borrowing needs of the City for the 1979 fiscal year, (c) loans of $750 million to the City by the City Pension Funds and Commercial Banks, which loans will be evidenced by City notes, (d) the projected public sales of City notes, and (e) the projected seasonal financing needs of the City for fiscal years 1980-1982 is fairly presented.
22. The information set forth in such section under the subheading "Litigation" to the effect that no provision has been made in the City's Four Year Financial Plan for the City's potential exposure resulting from pending real estate tax certiorari proceedings is fairly presented.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of November, 1978.

[Signature]

Deputy Mayor for Finance,
The City of New York
CERTIFICATE OF THE FIRST DEPUTY 
COMPTROLLER OF THE CITY OF NEW YORK 

Pursuant to Section 1.13 of the 
Closing Memorandum Relating to 
the 1978 Series 11, 12 and 13 Bonds 

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 final Official Statement relating to the 1978 Series 11, 
12 and 13 Bonds, dated November ___ , 1978, as the same may 
have been heretofore supplemented or amended, of the 
Municipal Assistance Corporation for The City of New York 
(the "Corporation"), under the section captioned "PART 9 -- 
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 informa-
tion 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 is 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 "Financial Difficulties of 1975" to the 
effect that (a) as of June 1975, the City had an accumulated 
deficit in excess of $5 billion and was to incur a substan-
tial expense budget deficit for the 1976 fiscal year, (b) the
City had been issuing short-term notes in part to finance a deficit and to pay for long-term capital expenditures, (c) at the time the City became unable to market its securities in April 1975, more than $6 billion in City notes were outstanding and scheduled to mature within twelve months, and (d) the State advanced $800 million to the City in each of the 1975 and 1976 City fiscal years is true and accurate.

3. The information set forth in such section under the subheading "Three Year Financial Plan: Fiscal Years 1976-1978" to the effect that the Uniform System of Accounts, as adjusted (as defined in the Official Statement), deviates from GAAP with respect to accounting for contributions to employee retirement systems and inclusion of expense items in the City's capital budget is true and accurate.

4. The information set forth under such subheading relating to long and short-term financing for the City through June 30, 1978 pursuant to two agreements, as described, and that the $1.302 billion of short-term obligations affected by the Moratorium Act (as defined in the Official Statement) were provided for is true and accurate.

5. The information set forth under such subheading with respect to the operating deficits estimated in accordance with GAAP and reported in accordance with the Uniform Systems Accounts, as adjusted, for the 1976 and 1977 fiscal years, the results of the audit of the City's 1976 financial statements,
and the contents of the opinion of the City's independent public accountants is true and accurate.

6. The information set forth in such section under the subheading "Litigation" to the effect that the information set forth regarding outstanding claims against the City and the City's estimated potential future liability thereon and regarding pending real estate tax certiorari proceedings and the City's potential exposure in the event of an adverse decision is as set forth in the notes to the City's audited financial statements is true and accurate.

IN WITNESS WHEREOF, I have hereunto set my hand this day of November, 1979.

[Signature]
First Deputy Comptroller of The City of New York
Pursuant to Section 1.16 of the Memorandum of Closing Relating to the 1978 Series 11, 12 and 13 Bonds

Comer S. Coppie, the Executive Director of the Financial Control Board (the "Control Board"), hereby certifies for and on behalf of the Control Board as follows:

1. The information contained in the final Official Statement dated November 7, 1973, as the same may have been heretofore supplemented or amended, of the Municipal Assistance Corporation for the City of New York ("the Corporation") under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982" has been reviewed by the staff of the Control Board. Certain of such information, which is referred to in the paragraphs numbered 2 through 3c of this certificate, concerns a report of the Control Board staff dated November 7, 1973 (the "Staff Report") and action taken by the Control Board, pursuant to resolutions adopted November 9, 1973 to approve a Financial Plan in accordance with Section 8 of the Financial Emergency Act (the "Financial Plan"). Reference should be made to the Staff Report and the resolutions for a complete explanation of the matters dealt with therein.

2. The information set forth under the subheading referred to above to the effect that the Control Board approved the Financial Plan which, with respect to the City and the Board of Education covered the 1979-1982 fiscal years, and which projects an operating budget for the City covering fiscal year 1979 that is balanced in accordance with State law, is true and accurate.
3. The information set forth under the subheading referred to above concerning the approval of those portions of the Financial Plan that relate to the covered organizations, is true and accurate.

4. The information set forth under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982 - 1979 Financial Plan" concerning the Staff Report discussion of potential expenditure increases, revenue shortfalls, additional revenue sources, and City actions and their sufficiency to permit approval of a modification to the Financial Plan covering Fiscal Year 1979, is true and accurate.

5a. The information set forth under the subheading "Four Year Financial Plan: Fiscal Years 1979-1982 - Fiscal Years 1980-1982" to the effect that the Staff Report concluded that the Four Year Financial Plan provides a reasonable basis for assuming that the City will achieve a balanced budget, that it will be difficult to implement programs to reduce the budget gap without a serious impact on services, and that service reductions could affect economic development efforts and the City's revenue base is true and accurate.

5b. The information set forth under such subheading with respect to the judgments expressed in the Staff Report regarding the likelihood that the City will receive additional Federal and State aid is true and accurate.
5c The information set forth under such subheading with respect to the Staff Report evaluation of the likelihood of implementation of various portions of the City's program to eliminate budget gaps, the request in the Staff Report to the City to provide additional information regarding cost containment programs, and the conclusion of the Staff Report that the City faces substantial difficulties in balancing its operating budget is true and accurate.

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

NEW YORK STATE FINANCIAL CONTROL BOARD

By [Signature]
Executive Director
CERTIFICATE OF THE SPECIAL DEPUTY STATE
COMPTROLLER FOR THE CITY OF NEW YORK

Pursuant to Section 1.17 of the
Memorandum of Closing

In connection with its 1978 Series 11, 12, and 13 Bonds, the Municipal Assistance Corporation for the City of New York has prepared a Memorandum of Closing, dated November 17, 1978, and an Official Statement, dated November 17, 1978. The Official Statement includes a part captioned "Certain Developments Affecting the City." The Memorandum of Closing reflects the requirement of the purchasers of the Bonds that as a condition of their purchase they receive a certificate of the Special Deputy State Comptroller for the City of New York to the effect that any statements under such caption in the Official Statement [as the same has been heretofore supplemented or amended as of the date hereof] concerning reports he has issued are true. The Memorandum of Closing does not require as a condition to the purchase of the Bonds that I offer any opinion regarding the completeness, accuracy, or fairness of presentation of the Official Statement as a whole, and I express no such opinion. Nor, except as stated below, do I express any such opinion regarding any portion of the Official Statement.

I have reviewed in the Official Statement under such caption the following points of information respecting certain of the reports I have issued (the "Reports"):

1) Reports dated September 29, 1978 and November 3, 1978 expressed uncertainty with respect to particular State and Federal actions proposed by the City and with respect to the projections of aggregate amounts to be provided by State and Federal actions to close the projected budget gaps and estimated that, after taking into account increases in State and Federal revenues included in the City's revenue estimates, the increase in State and Federal aid from fiscal year 1980 to fiscal year 1982 necessary to close the projected gaps would exceed the growth in State and Federal assistance received by the City during the period from fiscal year 1977 to 1979. The Reports concluded that because of the constraints on the ability of the State to increase its level of support to local governments, and the move toward a balanced federal budget, the opportunities for increased assistance have been limited and the City's assumption regarding growth of Federal and State aid must be regarded as uncertain.

2) The Special Deputy State Comptroller has reviewed in Reports dated September 29, 1978 and November 3, 1978 the proposed City programs to reduce the budget gap in the event of a shortfall in State and Federal assistance from the desired level to evaluate whether they are achievable and what their impact will be. His initial findings indicate that portions of the City program appear attainable, others are less likely of implementation without having an adverse effect on City operations and service delivery, and significant portions of the programs cannot be evaluated properly without further documentation. The Special Deputy Comptroller has requested the City to provide additional information with regard to the cost containment programs.
3) In his Reports reviewing the City's proposals to reduce the budget gap the Special Deputy State Comptroller indicates that the City faces substantial difficulties in balancing its operating budgets during the Four Year Financial Plan.

4) The Special Deputy State Comptroller has noted in a Report that the City's Four Year Financial Plan makes no provision for any increased labor costs which may result from labor settlements for the 1981 and 1982 fiscal years.

I hereby certify that the above statements about the Reports are true.

This certification is limited to the statements about the Reports referred to herein, and has no bearing on facts related to the subject matter of such Reports that may have unfolded after their issuance. This certification implies neither my approval nor my disapproval of the selection of material from the Reports for inclusion in the Official Statement, nor does this certification imply my approval or disapproval of the citation in the Official Statement of material from the Reports to the exclusion of material from other reports I have issued. Except as it pertains to the statements about the Reports referred to herein, this certification has no other bearing on the Official Statement.

Special Deputy (State) Comptroller
for the City of New York

Dated: November 17, 1978
CERTIFICATE OF THE COMMISSIONER
OF TAXATION AND FINANCE
RELATING TO OFFICIAL STATEMENT OF 1978
SERIES 11, 12, AND 13 BONDS OF THE MUNICIPAL ASSISTANCE
CORPORATION FOR THE CITY OF NEW YORK
(issued pursuant to the Second General Bond Resolution)

1. I have reviewed the information contained in the final
Official Statement, dated November 17, 1978 with respect to
1978 SERIES 11, 12, AND 13 BONDS OF THE MUNICIPAL ASSISTANCE
CORPORATION FOR THE CITY OF NEW YORK IN THE SUM OF $401,000,000
(issued pursuant to the Second General Bond Resolution of such
Corporation, dated November 25, 1975), as such Official State-
ment has been heretofore supplemented or amended as of the
date hereof (the "Official Statement") of the Municipal Assistance
Corporation For The City of New York under sections captioned
"PART 5--PROVISIONS FOR PAYMENT OF THE BONDS--Sales Tax" and
"PART 5--PROVISIONS FOR PAYMENT OF THE BONDS--Stock Transfer Tax".

2. The information contained in such sections of the
Official Statement (except for (i) information concerning
demographic and economic trends or factors contained in the
section captioned "PART 5--PROVISIONS FOR PAYMENT OF THE
BONDS--Sales Tax", (ii) any reference to State legislation
enacted in 1977 with respect to Stock Transfer Tax referred
to in the section entitled, "PART 5--PROVISIONS FOR PAYMENT
OF THE BONDS--Stock Transfer Tax", (iii) any and all Opinions
of Bond Counsel under the section entitled "PART 5--PROVISIONS
FOR PAYMENT OF THE BONDS--Stock Transfer Tax" with respect to
the method of levy, collection, payment and rebate of Stock
Transfer Tax presently in effect which relate to whether
such provisions violate any aspect of the First or Second
General Bonds Resolution or any Series Resolution adopted
pursuant thereto, (iv) any data or statements contained in
the section entitled "PART 5--PROVISIONS FOR THE PAYMENT
OF THE BONDS--Stock Transfer Tax" in regard to the
Corporation's need to rely on the Stock Transfer Tax to pay
its debt service and any conclusion as to the necessity of
the use thereof to pay the same and (v) any and all
expressions of opinion or conclusion contained in the sections
entitled "PART 5--PROVISIONS FOR THE PAYMENT OF THE BONDS--Sales
Tax" and "PART 5--PROVISIONS FOR THE PAYMENT OF THE BONDS--
Stock Transfer Tax" which are made by the Corporation or furnished,
supplied or made available to the Corporation by any person or
entity other than myself or my department as set forth in this
Certificate with respect to each and all of the aforesaid information, references and expressions of opinion or conclusion I express no conclusion) is true in all material respects and does not contain any untrue statements of a material fact or omit to state any material fact necessary to make the statements therein not misleading.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of November, 1973.

James H. Tully, Jr.
CERTIFICATE OF
THE ACTING DIRECTOR OF THE BUDGET
OF THE STATE OF NEW YORK

I, Howard F. Miller, Acting Director of the Budget of the State of New York, HEREBY CERTIFY as follows:

1. I have reviewed the information contained in the Official Statement dated November 1973 as the same has been supplemented or amended as of the date hereof (the "Official Statement") of the Municipal Assistance Corporation For The City of New York under the sections captioned "Certain Developments Affecting the State."

2. Such sections of the Official Statement do not contain any untrue statement of a material fact concerning the State of New York or omit any statement of a material fact necessary to make the statements therein concerning the State, in light of the circumstances under which they were made, not misleading.

3. I have reviewed the information contained in the Official Statement under the sections captioned "Provisions for Payment of the Bonds - Per Capita Aid."

4. The numerical information concerning the amounts of the Per Capita Aid referred to in such sections of the Official Statement and the footnotes which refer to such numerical information are true in all material respects and there are no material omissions, except that with respect to footnote (b) the amount of aid paid by the State in the State's 1973 fiscal year pursuant to section 34 of the State Finance Law was approximately $463 million although the amount payable out of the local assistance fund and paid to the Corporation was as stated.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 19 .

[Signature]
Acting Director of the Budget of the State of New York
To the Board of Directors of Municipal Assistance Corporation For The City of New York and Financial Institutions and City Pension Funds referred to in the Official Statement described herein

Dear Sirs:

We have examined the financial statements of Municipal Assistance Corporation For The City of New York (the "Corporation") as of June 30, 1978 and for the year then ended (the "Financial Statements"), included in the Official Statement of the Corporation dated November 17, 1978 for the Series 10 Bonds, as supplemented by the addition of descriptive cover pages for the 1978 Series 11, 12 and 13 Bonds (the "Official Statement"); our report with respect thereto is also included in such Official Statement. In connection with the Official Statement, we hereby advise you as follows:

1. We are independent public accountants for the Corporation and as such have examined the Corporation's Financial Statements for the year ended June 30, 1978 and expressed our opinion thereon dated July 24, 1978. We have not examined any financial statements of the Corporation as of any date or for any period subsequent to June 30, 1978; although we have made an examination for the year ended June 30, 1978, the purpose (and therefore the scope) of such examination was to enable us to express our opinion on the financial statements as of June 30, 1978 and for the year then ended. Therefore, we are unable to and do not express any opinion on the unaudited Statement of Financial Position as of September 30, 1978, the related unaudited Debt Service, Capital Reserve or Operating Fund Statements of Transactions for the three-month period ended September 30, 1978 or schedules as of any date or for any period subsequent to June 30, 1978 included in the Official Statement.

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

A. We have read the Official Statement and the minutes of the meetings of the Board of Directors of the
To the Board of Directors of  
Municipal Assistance Corporation  
For The City of New York  
and  
Financial Institutions and City  
Pension Funds  
referred to in the Official  
Statement described herein  

November 16, 1978

Corporation for the period commencing July 1, 1978  
and ending on November 15, 1978, as set forth in  
the minute books or made available to us in draft  
form at the offices of the Corporation on November 15,  
1978. (Our work did not extend to November 16, 1978.)  
Officials of the Corporation have advised us that  
such minutes represent minutes of all such meetings  
for such period.

B. We have, with respect to the three-month period ended  
September 30, 1978:

(i) Read the unaudited Statement of Financial  
Position as of September 30, 1978 and unaudited  
Debt Service Fund, Capital Reserve Fund and  
Operating Fund Statements of Transactions for  
the three-month period ended September 30, 1978  
and Exhibits 1, 2 and 3 thereto, officials  
of the Corporation having advised us that no  
such financial statements as of any date or for  
any period subsequent to September 30, 1978  
were available; and

(ii) Made inquiries of certain officials of the  
Corporation who have responsibility for  
financial and accounting matters as to  
whether the unaudited financial statements  
referred to under 2B(i) are stated on a  
basis substantially consistent with that of  
the Financial Statements included in the  
Official Statement.

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

3. Nothing came to our attention as a result of the procedures  
described in 2, however, that caused us to believe that the  
unaudited financial statements described in 2B(i), included  
in the Official Statement, are not presented fairly in con-  
formity with generally accepted accounting principles applied  
on a basis substantially consistent with that of the Finan-  
cial Statements.
4. As mentioned in 2B(i), Corporation officials have advised us that no financial statements as of any date or for any period subsequent to September 30, 1978 are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after September 30, 1978 have, of necessity, been even more limited than those with respect to the period referred to in 2B. With respect to the period from October 1, 1978 to November 15, 1978, we have made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether: (i) there has been any change in total bonds payable of the Corporation, (ii) the amount of the Debt Service Fund assets was less than the amount certified by the Chairman of the Corporation as necessary to be in such Fund or (iii) the amount of the Capital Reserve Fund was less than the amount certified by the Chairman of the Corporation as that required by the Municipal Assistance Corporation Act for The City of New York, as amended (the "Act"), as necessary to be in such Fund.

On the basis of these inquiries and our reading of the minutes as described in 2A, nothing came to our attention as of November 15, 1978 that caused us to believe that: (i) there were any changes in the total bonds payable of the Corporation, (ii) the amount of the Debt Service Fund assets was less than the amount certified by the Chairman of the Corporation as necessary to be in such Fund or (iii) the amount of the Capital Reserve Fund was less than the amount certified by the Chairman of the Corporation as required by the Act to be in such Fund.

5. In addition to the examination of the Financial Statements and the limited procedures described above, we have, for the purposes of this letter, and at your request, read and performed the following procedures with respect to the table entitled "Debt Service Payment Requirements and Estimated Coverage Ratios" (the "Table") which appears on page 27 of the Official Statement:

A. We compared the amounts of total debt service on First Resolution Bonds set forth in column 1 of the Table to amounts shown in Exhibit 3 to the financial statements appearing on page 24 of the Corporation's annual report for each year, and found them to be in agreement.
To the Board of Directors of Municipal Assistance Corporation
For The City of New York
and
Financial Institutions and City Pension Funds referred to in the Official Statement described herein

November 16, 1978

B. With respect to the data set forth in columns 2 through 4 of the Table, we reviewed an unaudited calculation sheet which showed the addition of the pro forma debt service payment amounts on the 1978 Series 10, 11, 12 and 13 Bonds to the Corporation's existing Second Resolution debt service payment requirements assuming, for the purposes of such calculations, the maturity, interest and redemption provisions set forth in the cover page of the Official Statement for the Series 10 Bonds, and the maturity, interest and redemption provisions set forth in the respective cover pages for the Series 11, 12 and 13 Bonds. Such addition appears to be correctly applied to the debt service amounts.

C. We checked the arithmetic accuracy of the coverage ratios appearing in columns 5 and 6 of the Table as follows:

(1) For column 5, we divided the Adjusted Per Capita Aid amounts, appearing on page 25 of the Official Statement, after reducing such amounts by the Corporation's current estimate of its operating expenses for the fiscal year ending June 30, 1979 of $5.5 million, by the corresponding debt service amount appearing in column 4 in each year and found such ratios to be correct.

(2) For column 6, we divided the total of all revenues including the total of the Aggregate Sales and Stock Transfer Taxes and Adjusted Per Capita Aid appearing on page 25 of the Official Statement (which revenue amounts have been reduced by $5.5 million representing the Corporation's current estimate of its operating expenses for the fiscal year ending June 30, 1979) less the debt service amounts appearing in column 1 of the Table, by the corresponding debt service amount in column 4 in each year and found such ratios to be correct.

D. With respect to the coverage ratios set forth in the paragraph immediately following the Table, we reviewed an unaudited calculation sheet showing the division of the total of all revenues, referred to in C(2) above, by the total of each year's debt service amount appearing in columns 1 and 4 of the Table and found the ranges of coverage for the years 1979 through 1995 stated in such paragraph to be correct.
E. With respect to the average coverage ratio stated in such paragraph, we reviewed an unaudited calculation sheet showing the aggregate total revenues referred to in C(2) above divided by the aggregate total debt service amounts for the years 1979 through 1995, appearing in columns 1 and 4, and found the ratio to be correct.

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

6. This letter is solely for the information of the Board of Directors of the Corporation and for the information of and assistance to the Financial Institutions and City Pension Funds in conducting and documenting their review of the affairs of the Corporation in connection with their purchase of the 1978 Series 11, 12 and 13 Bonds. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except the Bond Purchase Agreement among the Corporation, and the Financial Institutions and City Pension Funds and related closing documents.

Yours very truly,

[Signature]

Price Waterhouse & Co.