MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

$290,075,000
Series 58 Bonds

TABLE OF CONTENTS

Basic Documents and Certifications

1. Copy of the Final Official Statement of the Municipal Assistance Corporation
   For The City of New York (the "Corporation") dated May 8, 1986 relating to the
   Series 58 Bonds (the "Official Statement").

2. Copy of the Preliminary Official Statement of the Corporation dated May 5,
   1986 relating to the Series 58 Bonds.

3. Conformed copy of the Bond Purchase Agreement dated May 8, 1986 executed by
   the Corporation and Salomon Brothers Inc for the Representatives (the
   "Representatives") of the Underwriters named therein (the "Underwriters").

4. Extract of the Minutes of the Board of Directors Meeting held on May 8, 1986
   showing adoption of the Series 58 Resolution authorizing the issuance, sale and
   delivery of the Series 58 Bonds and other matters related thereto.

5. Copy of the Second General Bond Resolution.

6. Copy of the Series 58 Resolution.

7. Approval of the terms of the sale by the Comptroller of the State of New York
   (the "State").

8. Order of the Corporation as to the authentication and delivery to the
   Underwriters of the Series 58 Bonds.

9. Certificate of the Director of the Budget of the State with respect to the
   Official Statement.

10. Certificate of the Commissioner of Taxation and Finance of the State with
    respect to the Official Statement.

11. Certificate of the Mayor and the Comptroller of the City of New York (the
    "City") or appropriate Deputies with respect to the Official Statement.
12. Certificate of the Commissioner of Taxation and Finance of the State with respect to the amounts of Sales Tax and Stock Transfer Tax.

13. Certificate of the Director of the Budget of the State with respect to the amount of Per Capita Aid.

14. Certificate of the Corporation as to members, officers, terms of office and other details of the Corporation, including by-laws, minutes, certain resolutions, specimen bonds, litigation, signatures and certificates.


17. Certificate as to acceptance of duties of Trustee by the United States Trust Company of New York (the "Trust Company") and showing authority for Authorized Officers to authenticate the Series 58 Bonds.

Opinions

18. Opinion of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, addressed to the Representatives, together with reliance opinion addressed to the Trust Company.

19. Approving Opinion as to the Series 58 Bonds of Hawkins, Delafield & Wood, Bond Counsel to the Corporation, addressed to the Corporation, together with reliance opinion addressed to the Underwriters.

20. Opinion of Hawkins, Delafield & Wood, addressed to the Corporation, as to pending Federal tax legislation.


22. Opinion of Hawkins, Delafield & Wood, addressed to the Corporation, as to arbitrage.

23. Opinion of Hawkins, Delafield & Wood, addressed to the Corporation, as to the 1978 State Covenant.

24. Opinion of Hawkins, Delafield & Wood, addressed to the Corporation, as to the defeasance of the Series 28, 29 and 30 Bonds of the Corporation, together with reliance opinion addressed to the Trust Company.
25. Opinion of Carter, Ledyard & Milburn, Counsel to the Trust Company, with respect to the Trust Company's authority to act as Trustee, and authentication of the Series 58 Bonds, together with reliance opinion addressed to the Underwriters.

26. Opinion of White & Case, Counsel to the Underwriters, addressed to the Underwriters.

27. Blue Sky Memorandum of White & Case, addressed to the Underwriters.

Proceeds

28. Order as to deposit and investment of the Series 58 Bond Proceeds and irrevocable instructions as to the establishment of the Series 28, 29 and 30 Trust Fund.

29. Certificate of the Trustee as to receipt of proceeds of sale of the Series 58 Bonds.

30. Evidence of receipt of purchase price for the Series 58 Bonds.


32. Receipt of the Underwriters for the Series 58 Bonds and the Closing Documents.

Miscellaneous

33. Evidence of ratings of the Series 58 Bonds.

34. Copy of Advertisement.

35. Memorandum of Closing.
NEW ISSUE

In the opinion of Bond Counsel, interest on the Series 58 Bonds is exempt from (i) Federal income taxes under the existing statutes, and (ii) personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 58 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State except for estate or gift taxes and taxes on transfers. See also “Part 18—Pending Federal Tax Legislation”.

$290,075,000

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

(A Public Benefit Corporation of the State of New York)

SERIES 58 BONDS

Dated May 1, 1986

Principal of the Series 58 Bonds is payable at the corporate trust office of United States Trust Company of New York, trustee under the Second General Bond Resolution. Interest on the Series 58 Bonds is payable semi-annually on each January 1 and July 1, commencing January 1, 1987, by check or draft mailed to the registered owner. The Series 58 Bonds will be issued as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000.

The Series 58 Bonds are subject to optional redemption as more fully described herein. The Series 58 Bonds maturing on July 1, 2008 are also subject to mandatory redemption as more fully described herein.

Due | Amount | Rate | Price or Yield |
--- | --- | --- | --- |
1997 | $15,975,000 | 7% | @ 100 |
1998 | 17,090,000 | 7.15% | 7.30% |
1999 | 18,310,000 | 7.30% | @ 100 |
2000 | $19,645,000 | 7.35% | 7.35% |
2001 | 21,075,000 | 7.40% |

$197,980,000 7% 8/15 Term Bonds due July 1, 2008 @ 98%

(Plus accrued interest)

The Series 58 Bonds are issued pursuant to the Second General Bond Resolution and are payable from certain per capita State aid and, to the extent not required for payment of certain other obligations of the Corporation, 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 Series 58 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 Series 58 Bonds.

The Series 58 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. Certain legal matters will be passed on for the Underwriters by their counsel, White & Case, New York, New York. It is expected that the Series 58 Bonds in definitive form will be available for delivery on or about May 29, 1986. At the option of any Underwriter, delivery will be available at the Depository Trust Company, New York, New York.

Salomon Brothers Inc
Merrill Lynch Capital Markets
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
L. F. Rothschild, Unterberg, Towbin, Inc.
Shearson Lehman Brothers Inc.

The date of this Official Statement is May 8, 1986
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 Series 58 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 SERIES 58 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 STABILIZATION, 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</td>
<td>1</td>
</tr>
<tr>
<td>The Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Payment of the Bonds and Debt Service Coverage</td>
<td>1</td>
</tr>
<tr>
<td>Limitations on Bond Issuance</td>
<td>2</td>
</tr>
<tr>
<td>Appropriation of Revenues</td>
<td>2</td>
</tr>
<tr>
<td>Outstanding Debt of the Corporation</td>
<td>2</td>
</tr>
<tr>
<td>Debt Issuance Plan</td>
<td>2</td>
</tr>
<tr>
<td>Certain Factors</td>
<td>3</td>
</tr>
<tr>
<td>2. BONDS BEING OFFERED</td>
<td>3</td>
</tr>
<tr>
<td>General</td>
<td>3</td>
</tr>
<tr>
<td>Additional Bonds and Notes</td>
<td>4</td>
</tr>
<tr>
<td>3. USE OF PROCEEDS AND PLAN OF REFUNDING</td>
<td>5</td>
</tr>
<tr>
<td>Background, Purposes and Powers</td>
<td>6</td>
</tr>
<tr>
<td>Outstanding Debt of the Corporation</td>
<td>7</td>
</tr>
<tr>
<td>4. THE CORPORATION</td>
<td>6</td>
</tr>
<tr>
<td>5. DEBT ISSUANCE PLAN</td>
<td>7</td>
</tr>
<tr>
<td>6. 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>Per Capita Aid</td>
<td>13</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>13</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>15</td>
</tr>
<tr>
<td>Capital Reserve Aid Fund</td>
<td>16</td>
</tr>
<tr>
<td>7. DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS</td>
<td>17</td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>17</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
<td>18</td>
</tr>
<tr>
<td>Debt Service Requirements and Estimated Coverage Ratios</td>
<td>18</td>
</tr>
<tr>
<td>8. CERTAIN DEVELOPMENTS AFFECTING THE STATE</td>
<td>20</td>
</tr>
<tr>
<td>Long-Term Trends</td>
<td>20</td>
</tr>
<tr>
<td>Financial Developments—Fiscal Years 1975-1986</td>
<td>21</td>
</tr>
<tr>
<td>Program for the 1987 Fiscal Year</td>
<td>21</td>
</tr>
<tr>
<td>Problems of Authorities and Localities</td>
<td>26</td>
</tr>
<tr>
<td>Litigation</td>
<td>30</td>
</tr>
<tr>
<td>9. CERTAIN DEVELOPMENTS AFFECTING THE CITY</td>
<td>30</td>
</tr>
<tr>
<td>Fiscal Years 1975-1983</td>
<td>30</td>
</tr>
<tr>
<td>Fiscal Years 1986-1989</td>
<td>32</td>
</tr>
<tr>
<td>City Litigation</td>
<td>34</td>
</tr>
<tr>
<td>Covered Organization Litigation</td>
<td>37</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>37</td>
</tr>
<tr>
<td>10. VARIOUS CONTROL PROGRAMS</td>
<td>37</td>
</tr>
<tr>
<td>The Corporation</td>
<td>38</td>
</tr>
<tr>
<td>Control Board</td>
<td>38</td>
</tr>
<tr>
<td>Agreement of the State of New York</td>
<td>40</td>
</tr>
<tr>
<td>11. AGREEMENT OF THE STATE OF NEW YORK</td>
<td>40</td>
</tr>
<tr>
<td>Management</td>
<td>40</td>
</tr>
<tr>
<td>12. MANAGEMENT</td>
<td>40</td>
</tr>
<tr>
<td>Litigation</td>
<td>43</td>
</tr>
<tr>
<td>SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION</td>
<td>43</td>
</tr>
<tr>
<td>14. SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION</td>
<td>43</td>
</tr>
<tr>
<td>Trustee</td>
<td>50</td>
</tr>
<tr>
<td>Legal Investment</td>
<td>51</td>
</tr>
<tr>
<td>Tax Exemption</td>
<td>51</td>
</tr>
<tr>
<td>Pending Federal Tax Legislation</td>
<td>51</td>
</tr>
<tr>
<td>Legal Opinions</td>
<td>52</td>
</tr>
<tr>
<td>15. TRUSTEE</td>
<td>50</td>
</tr>
<tr>
<td>16. LEGAL INVESTMENT</td>
<td>51</td>
</tr>
<tr>
<td>17. TAX EXEMPTION</td>
<td>51</td>
</tr>
<tr>
<td>18. PENDING FEDERAL TAX LEGISLATION</td>
<td>51</td>
</tr>
<tr>
<td>19. LEGAL OPINIONS</td>
<td>52</td>
</tr>
<tr>
<td>Underwriting</td>
<td>52</td>
</tr>
<tr>
<td>20. UNDERWRITING</td>
<td>52</td>
</tr>
<tr>
<td>Financial Statements</td>
<td>53</td>
</tr>
<tr>
<td>Appendix—Definitions</td>
<td>54</td>
</tr>
<tr>
<td>Exhibit A—Financial Statements</td>
<td>F-1</td>
</tr>
<tr>
<td>Exhibits B, C and D—Opinions of Bond Counsel</td>
<td>B-1</td>
</tr>
</tbody>
</table>

Lazard Frères & Co.—Financial Advisor
PART I—INTRODUCTION

Certain factors and additional information that may affect decisions to invest in the Series 58 Bonds are described throughout this Official Statement which should be read in its entirety. Certain terms used in this Official Statement are defined in the Appendix.

The Corporation

The Municipal Assistance Corporation For The City of New York is a public benefit corporation of the State created for the purpose of providing financing assistance and fiscal oversight for the City.

The Bonds

The Series 58 Bonds will be issued pursuant to the Corporation’s Second General Bond Resolution. Certain revenues of the Corporation described below are pledged to the payment of the Series 58 Bonds, which are general obligations of the Corporation and are not obligations of either the State or the City.

Payment of the Bonds and Debt Service Coverage

The Corporation’s revenues pledged to the payment of Second Resolution Bonds are derived from moneys that are paid to the Trustee, subject to annual appropriation by the State Legislature, from three sources: Per Capita Aid and (after satisfying debt service, operating expenses and capital reserve funding requirements under the Corporation’s First General Bond Resolution) the Sales Tax and the Stock Transfer Tax. “Per Capita Aid” consists of amounts that otherwise would have been payable to the City under the State law that provides for a general revenue sharing program applicable to localities throughout the State. The “Sales Tax” consists of a State sales tax imposed within the City, at the rate of 4%, on most retail and certain other sales. The “Stock Transfer Tax” consists of the State tax on the transfer of stocks and certain other securities. The Corporation has no taxing power. Assuming that amounts available to the Corporation from Per Capita Aid, Sales Tax and Stock Transfer Tax continue at present levels, Available Revenues for debt service on all outstanding Second Resolution Bonds, including the Series 58 Bonds and giving effect to the refunding of the Series 28, 29 and 30 Bonds, would be as follows:

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax (12 months ended March 31, 1986)</td>
<td>$1,877</td>
</tr>
<tr>
<td>Stock Transfer Tax (12 months ended March 31, 1986)</td>
<td>$1,232</td>
</tr>
<tr>
<td>Operating expenses of the Corporation</td>
<td>$11</td>
</tr>
<tr>
<td>Maximum annual debt service payment on outstanding First Resolution obligations (issuance test limits annual debt service to $425 million)</td>
<td>$2,754</td>
</tr>
<tr>
<td>Available tax revenues after provision for First Resolution obligations</td>
<td>$417</td>
</tr>
<tr>
<td>Available Per Capita Aid (for the Corporation’s 1986 fiscal year), net of $95 million of potential prior claims (none of which has been asserted since the inception of the Corporation)</td>
<td>$3,171</td>
</tr>
</tbody>
</table>

Divided by $776

Maximum annual debt service payment on currently outstanding Second Resolution Bonds (including the Series 58 Bonds and giving effect to the refunding of the Series 28, 29 and 30 Bonds) | $4,09
The authority of the State to impose and collect the Sales Tax and pay the Sales Tax and Stock Transfer Tax revenues to the Corporation has been affirmed by the State's highest court; the United States Supreme Court dismissed the appeal of the State court's decision for lack of a substantial Federal question.

For further information with respect to the Corporation's revenues and debt service, as well as estimated coverage ratios, see "PART 6—PAYMENT OF THE BONDS" and "PART 7—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS."

Limitations on Bond Issuance

The Corporation has covenanted not to issue additional Second Resolution Bonds unless available revenues, calculated substantially in the manner outlined above, would cover estimated maximum annual debt service payments on Second Resolution Bonds at least two times.

The Corporation has covenanted not to issue additional First Resolution obligations if the maximum annual debt service payments on all First Resolution obligations would exceed $425 million. Maximum annual debt service on currently outstanding First Resolution obligations is $344 million.

Appropriation of Revenues

The Legislature has appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since the inception of the Corporation. The Corporation expects that the Legislature will continue to make such appropriations so long as the Corporation's bonds are outstanding. Under the State Constitution, however, the Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation.

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

Outstanding Debt of the Corporation

After the issuance of the Series 58 Bonds, and the refunding of the Series 28, 29 and 30 Bonds, the Corporation will have outstanding an aggregate of $8.157 billion of its bonds, $6.492 billion issued under the Second General Bond Resolution and $1.665 billion issued under the First General Bond Resolution.

The Corporation's First and Second Resolution obligations each have the benefit of a capital reserve fund held by the Trustee. At March 31, 1986, such funds, valued in accordance with the Act, contained $306.1 million and $863.3 million, respectively. See "PART 6—PAYMENT OF THE BONDS."

Debt Issuance Plan

The Series 58 Bonds are being offered as part of the Debt Issuance Plan developed by the Corporation and the City.

Certain institutional investors, some of which are underwriters of this offering, hold substantial amounts of bonds of the Corporation. Such investors may, from time to time during and after the time when the Series 58 Bonds are being offered to the public, offer or sell bonds of the Corporation, which may have an adverse effect on the market for and the market price of the Series 58 Bonds.
CERTAIN FACTORS

The Corporation believes that the market for, the market price of, the tax exempt status of the interest payable on, and the sources of payment of, the Series 58 Bonds may be affected by certain other factors described elsewhere in this Official Statement. See, in particular, “PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE,” “PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY,” and “PART 18—PENDING FEDERAL TAX LEGISLATION.”

PART 2—BONDS BEING OFFERED

General

The Series 58 Bonds will be issued pursuant to the Second General Bond Resolution and the Series 58 Resolution. The Series 58 Bonds will be dated and bear interest from May 1, 1986 to maturity or earlier date fixed for redemption. The Series 58 Bonds will be issued as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Principal of the Series 58 Bonds is payable at the corporate trust office of the Trustee. Interest on the Series 58 Bonds is payable semi-annually on each January 1 and July 1, commencing January 1, 1987, by check or draft mailed to the registered owners at their addresses, as the same appear on the books of the Corporation kept by the Trustee on the tenth day preceding an interest payment date. The Series 58 Bonds will be transferable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the Series 58 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 Series 58 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 Series 58 Bonds will 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 11—AGREEMENT OF THE STATE OF NEW YORK.”

United States Trust Company of New York is the Trustee under the Second General Bond Resolution. Its corporate trust office is located at 45 Wall Street, New York, New York 10005. For further information concerning the Trustee, see “PART 15—TRUSTEE.”

Optional Redemption

The Series 58 Bonds are subject to redemption at the option of the Corporation on or after July 1, 1996, 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, 1996 to December 31, 1997</td>
<td>102%</td>
</tr>
<tr>
<td>January 1, 1998 to June 30, 1999</td>
<td>101½</td>
</tr>
<tr>
<td>July 1, 1999 to December 31, 2000</td>
<td>101</td>
</tr>
<tr>
<td>January 1, 2001 to June 30, 2002</td>
<td>100½</td>
</tr>
<tr>
<td>July 1, 2002 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>
**Sinking Fund Redemption**

The Series 58 Bonds maturing on July 1, 2008 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 Series 58 Bonds specified for each of the years shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$22,615,000</td>
<td>2006</td>
<td>$30,060,000</td>
</tr>
<tr>
<td>2003</td>
<td>24,285,000</td>
<td>2007</td>
<td>32,285,000</td>
</tr>
<tr>
<td>2004</td>
<td>26,075,000</td>
<td>2008</td>
<td>34,660,000*</td>
</tr>
<tr>
<td>2005</td>
<td>28,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Payment at maturity.

Giving effect to the Sinking Fund Installments set forth above, the average life of the Series 58 Bonds maturing on July 1, 2008 would be approximately 19.45 years, calculated from May 1, 1986.

The Corporation may from time to time direct the Trustee to purchase, with moneys in the Bond Service Fund, Series 58 Bonds at or below par plus unpaid interest accrued to the date of such purchase, and apply any Bonds so purchased as a credit, at par, against and in fulfillment of a required Sinking Fund Installment on the Bonds so purchased. See "PART 14—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Bond Service Fund." To the extent the Corporation fulfills its obligations to make Sinking Fund Installments in a particular year through such purchases of such Bonds, the likelihood of redemption by lot of any holder's Series 58 Bonds of such maturity 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, but is not obligated to, do so with respect to the Series 58 Bonds.

**Additional Bonds and Notes**

Pursuant to the Act, until December 31, 1984 the Corporation was authorized to issue bonds and notes in an aggregate principal amount not exceeding $10 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements). For purposes of this authorization, the Corporation issued approximately $9.445 billion of bonds and notes (including approximately $250 million of commercial paper notes). The Corporation continues to be authorized to issue bonds and notes only to refund outstanding bonds and notes, without limitation as to principal amount.

Additional Second Resolution Bonds may be issued on a parity with the Series 58 Bonds, provided that (a) an 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 by the State Commissioner of Taxation and Finance to be collectible during the succeeding 12-month period from such sources, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore apportioned and paid to the Municipal Assistance State Aid Fund for the fiscal year of the State during which such additional Bonds are to be issued, less (c) the maximum annual debt service on outstanding First Resolution obligations, less (d) estimated operating expenses of the Corporation for its then current fiscal year, is at least 2 times (e) the maximum annual debt service on outstanding Second Resolution Bonds (including the particular series of such additional Bonds then proposed to be issued).

Pursuant to the Series 58 Resolution and certain other series resolutions of the Corporation, the Corporation may issue additional First Resolution obligations only to the extent that the issuance thereof would not cause the maximum annual debt service on outstanding First Resolution obligations to equal or
exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination obligations that the Corporation may offer to the public under the First General Bond Resolution).

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."

PART 3—USE OF PROCEEDS AND PLAN OF REFUNDING

The net proceeds of the sale of the Series 58 Bonds will be $282,137,657.35. Such proceeds will be used to refund the Corporation's Series 28, 29 and 30 Bonds.

The Series 28 Bonds are currently outstanding in the aggregate principal amount of $29,780 million, bear interest at the rate of 10 7/8% and are due July 1, 2007. The Series 28 Bonds will be redeemed through mandatory sinking fund installments at 100% of the principal amounts thereof, plus accrued interest to the redemption dates, on July 1 in each of the years 1986 through 1991, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$935,000</td>
</tr>
<tr>
<td>1987</td>
<td>955,000</td>
</tr>
<tr>
<td>1988</td>
<td>970,000</td>
</tr>
<tr>
<td>1989</td>
<td>990,000</td>
</tr>
<tr>
<td>1990</td>
<td>1,010,000</td>
</tr>
<tr>
<td>1991</td>
<td>1,030,000</td>
</tr>
</tbody>
</table>

The balance of $23,890,000 principal amount of the Series 28 Bonds will be redeemed on July 1, 1991 at a redemption price of 102% of the principal amount thereof, plus accrued interest to the redemption date.

The Series 29 and 30 Bonds are currently outstanding in the aggregate principal amounts of $119,075 million and $85,390 million, respectively, bear interest at the rate of 11 3/4% and are due July 1, 2000. The Series 29 and 30 Bonds will be redeemed through mandatory sinking fund installments at 100% of the principal amounts thereof plus accrued interest to the redemption dates, on July 1 in each of the years 1986 through 1991, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Series 29</th>
<th>Series 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$6,675,000</td>
<td>$4,785,000</td>
</tr>
<tr>
<td>1987</td>
<td>6,855,000</td>
<td>4,915,000</td>
</tr>
<tr>
<td>1988</td>
<td>7,035,000</td>
<td>5,045,000</td>
</tr>
<tr>
<td>1989</td>
<td>7,215,000</td>
<td>5,175,000</td>
</tr>
<tr>
<td>1990</td>
<td>7,395,000</td>
<td>5,305,000</td>
</tr>
<tr>
<td>1991</td>
<td>7,580,000</td>
<td>5,435,000</td>
</tr>
</tbody>
</table>

The balance of $76,320,000 principal amount of the Series 29 Bonds and $54,730,000 of the Series 30 Bonds will be redeemed on July 1, 1991 at a redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date.

To accomplish the refunding of these bonds, the net proceeds of approximately $282 million will be used to purchase non-callable direct obligations of the United States of America (the "Government Obligations"), the principal of and interest on which, when due, will provide moneys sufficient to pay when due principal at maturity of and sinking fund installments and redemption prices, together with interest, on
the Series 28, 29 and 30 Bonds. At the time of issuance of the Series 58 Bonds, the Corporation will deposit the Government Obligations in a special trust fund to be held by United States Trust Company of New York, as Trustee under the Second General Bond Resolution. At such time, the Corporation will give such Trustee irrevocable instructions to give notice of the refunding of the Series 28, 29 and 30 Bonds and to apply the special trust fund solely for the payment of principal of and sinking fund installments and redemption prices, together with interest, on each of the series of bonds to be refunded.

Upon the giving of such instructions, the Series 28, 29 and 30 Bonds will no longer be outstanding for purposes of the Second General Bond Resolution. Accordingly, all principal of and sinking fund installments and redemption prices, together with interest, on the Series 28, 29 and 30 Bonds will be payable solely from the special trust fund.

The refunding of the Series 28, 29 and 30 Bonds is part of the Corporation's refunding program. The program is intended to provide present value savings to the Corporation and to reduce the level of debt service requirements in certain early years where debt service requirements are at disproportionately high levels through the issuance of refunding bonds which have debt service requirements occurring at higher levels in later years.

PART 4—THE CORPORATION

Background, Purposes and Powers

The Corporation is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. The Corporation was created by State legislation adopted in June 1975 (as amended to date, the "Act"), for the purpose of providing financing assistance and fiscal oversight for the City. To carry out such purpose, the Corporation was given the authority, 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 and to issue bonds to refund outstanding bonds. Between June 1975 and June 1978, the Corporation issued its obligations in accordance with this purpose and the City was provided with seasonal loans by the Federal government and long-term financing by certain City pension funds and the Corporation. In September 1975, the Control Board was established to oversee the financial affairs of the City.

By June 1978, the City had brought its operating budget into balance in accordance with State law and accomplished other budgetary and accounting objectives. Despite this progress, it became clear that further actions would be necessary to enable the City to obtain its own financing. As a result, the Debt Issuance Plan was developed to provide long-term financing to the City over the four fiscal years ending June 1982, during which time the City was required to follow a plan designed to bring its operating budget into balance in accordance with generally accepted accounting principles ("GAAP") by the 1982 fiscal year and to enable it to regain access to the public credit markets. Although the City's operating budget for the 1981 and 1982 fiscal years was balanced in accordance with GAAP (and has been so balanced through the 1985 fiscal year), the Debt Issuance Plan was supplemented to give the City additional time to regain full access to the public credit markets. The City publicly sold $75 million of its bonds during its 1981 fiscal year, $250 million of its bonds during its 1982 fiscal year, $452 million of its bonds during its 1983 fiscal year, $775 million of its bonds during its 1984 fiscal year, $1.592 billion of its bonds during its 1985 fiscal year and $1.150 billion of its bonds to date in its 1986 fiscal year. In addition, the New York City Municipal Water Finance Authority, a public benefit corporation authorized to issue revenue bonds to finance City water and sewer capital improvements, has sold $400 million of revenue bonds to date in fiscal 1986.

To enable the Corporation to assist in financing the City's capital needs during its 1983 through 1985 fiscal years, the State enacted legislation in June 1980 increasing the amount of obligations which the Corporation could issue to $10 billion (excluding refunding obligations and certain short-term notes) and
extension through December 31, 1984 the period during which such obligations, other than refunding obligations, could be issued. The 1980 legislation provided sufficient bond issuance authority to enable the Corporation to fulfill its role under the Debt Issuance Plan. The Corporation completed all of the capital financing which it was scheduled to undertake in the Debt Issuance Plan.

Outstanding Debt of the Corporation

From the period of the Corporation's inception through December 31, 1984, the Corporation issued approximately $9.445 billion aggregate principal amount of bonds and notes for purposes of the $10 billion statutory issuance limit (which limit excludes all refunding obligations). After issuance of the Series 58 Bonds, and the refunding of the Series 28, 29 and 30 Bonds, the Corporation will have outstanding (excluding bonds that have been refunded) $6.492 billion aggregate principal amount of bonds issued under the Second General Bond Resolution and $1.665 billion aggregate principal amount of bonds issued under the First General Bond Resolution. The Second General Bond Resolution provides that all outstanding Second Resolution Bonds will be on a parity with each other, regardless of the date of issuance.

First Resolution Obligations have no claim on Per Capita Aid, which is a principal source of payment for the Second Resolution Bonds. First Resolution Obligations have a claim prior to that of Second Resolution Bonds on all amounts available to the Corporation from the Sales Tax and the Stock Transfer Tax. The Corporation has covenanted not to issue additional First Resolution Obligations if the maximum annual debt service payments on all First Resolution Obligations would exceed $425 million.

For additional information concerning the financial condition of the Corporation, see the unaudited financial statements of the Corporation for the nine months ended March 31, 1986, annexed hereto as Exhibit A, and “PART 21—FINANCIAL STATEMENTS.”

PART 5—DEBT ISSUANCE PLAN

In November 1978, the Corporation in conjunction with the City developed the Debt Issuance Plan to provide long-term financing for the City during the 1979 through 1982 fiscal years. The Debt Issuance Plan has been supplemented from time to time to include subsequent fiscal years and to adjust projections regarding the issuance of long-term obligations to the public and the City's capital needs.
DEBT ISSUANCE PLAN
(Dollars in Millions)

Sources of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 1986</th>
<th>FY 1987</th>
<th>FY 1988</th>
<th>FY 1989</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to the Public of the Corporation's Bonds(a)</td>
<td>$1,416</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$1,416</td>
</tr>
<tr>
<td>Sales to the Public of City Bonds(b)</td>
<td>1,700</td>
<td>1,318</td>
<td>1,346</td>
<td>1,462</td>
<td>5,826</td>
</tr>
<tr>
<td>Water and Sewer Revenue Financing(c)</td>
<td>400</td>
<td>284</td>
<td>443</td>
<td>522</td>
<td>1,649</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$3,516</td>
<td>$1,602</td>
<td>$1,789</td>
<td>$1,984</td>
<td>$8,891</td>
</tr>
</tbody>
</table>

Uses of Funds

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City Capital Improvements</td>
<td>$1,628</td>
<td>$1,806</td>
<td>$1,986</td>
<td>$2,104</td>
<td>$7,524</td>
</tr>
<tr>
<td>City Refunding(d)</td>
<td>550</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>550</td>
</tr>
<tr>
<td>Refunding</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,416</td>
</tr>
<tr>
<td>Total Uses(e)</td>
<td>$3,594</td>
<td>$1,806</td>
<td>$1,986</td>
<td>$2,104</td>
<td>$9,490</td>
</tr>
</tbody>
</table>

(a) Including $1,126 million of bonds sold to date in fiscal 1986 and the Series 58 Bonds.
(b) Including $1,150 million of bonds sold to date in fiscal 1986.
(c) All such bonds scheduled to be sold in fiscal 1986 have been sold.
(d) All proposed refundings are subject to market conditions.
(e) Differences between Total Sources and Total Uses are a result of the deposit or withdrawal of funds held by the Corporation from the proceeds of sales of its bonds in prior fiscal years for use in fiscal year 1986 and thereafter or other sources, including primarily debt service savings resulting from the Corporation's refundings and advances from the City's general fund for capital purposes. The Sources of Funds reflects the principal amount of obligations issued and the Uses of Funds reflects the receipt of such moneys without giving effect to the costs of issuance.

The current Debt Issuance Plan is intended to provide financing for the City's capital needs, which the City currently projects to be approximately $1.6 billion to $2.1 billion during each of its 1986 through 1989 fiscal years. Substantial portions of the Debt Issuance Plan, including all the Corporation's financings for City capital expenses under the Plan, have been completed as scheduled in prior years. The Corporation may from time to time issue additional refunding obligations over and above those currently scheduled in the Debt Issuance Plan. The actual amount of the Corporation's refunding obligations to be issued during each fiscal year will depend upon market conditions and other factors.

In connection with the Debt Issuance Plan, the City issued an aggregate of $1.65 billion of Federally guaranteed bonds from fiscal 1978 through 1982. The Agreement to Guarantee providing for such Federal guarantees requires the City under certain circumstances to prepay such bonds beginning in its 1983 fiscal year according to a prescribed formula. The City has refunded all but $1 million of its Federally guaranteed bonds, and anticipates that all of its Federally guaranteed bonds will be repaid by August 15, 1986.

Approximately $1.075 billion in additional revenues is to be made available to the City during the fiscal years 1984 through 1988 if certain actions, which the Corporation agreed to undertake in a memorandum of agreement with the Governor and the Mayor dated March 30, 1984, are taken. These actions include (1) the issuance of $250 million of bonds for capital purposes under the Debt Issuance Plan, which has been completed; (2) the refundings then contained in the Debt Issuance Plan (which are projected to produce, subject to market conditions, debt service savings to the Corporation during the period covered by such Plan, resulting in increased revenues to the City of approximately $300 million), which have been completed; and (3) the Corporation making available to the City approximately $525 million out of earnings and releases from its funds. The City has agreed to utilize the moneys resulting from these actions as follows: approximately $550 million for capital purposes; approximately $365 million for economic development; and
approximately $160 million for operating purposes. To date, the Corporation has taken those actions necessary to make such additional revenues available to the City in accordance with the agreed schedule.

On April 2, 1986, the Corporation, the State and the City agreed to the availability and use of approximately $1.6 billion in additional revenues in the 1987 through 1995 fiscal years over and above the additional revenues covered by the March 1984 memorandum of agreement. Of the $1.6 billion, $602 million will come from earnings on the Corporation’s funds, $621 million will come from releases of excess moneys from the Corporation’s capital reserve funds and $377 million will be derived from debt service savings resulting from refundings which have been completed. Such moneys will be applied as follows: $925 million for capital improvements for the New York City Transit Authority; $375 million for City operating purposes; and $300 million to redeem some of the Corporation’s outstanding bonds prior to maturity.

PART 6—PAYMENT OF THE BONDS

General

The Second Resolution Bonds are general obligations of the Corporation payable out of certain pledged revenues as well as any other available revenues of the Corporation. The Second Resolution Bonds are entitled to a first lien, created by the pledge under the Second General Bond Resolution, on all moneys and securities paid or deposited into the Corporation’s Bond Service Fund and Capital Reserve Aid Fund under the Second General Bond Resolution, which are held by United States Trust Company of New York, as Trustee. Such moneys and securities include the following:

(i) amounts derived from Per Capita Aid, less certain prior statutory claims, none of which has been asserted since the inception of the Corporation;

(ii) amounts derived from the Sales Tax and Stock Transfer Tax, after satisfying annual funding requirements for the Corporation’s outstanding First Resolution obligations and operating expenses of the Corporation;

(iii) amounts received from the State to replenish the Capital Reserve Aid Fund, see “Maintenance of Capital Reserve Aid Fund” in this PART 6; and

(iv) any interest or income earned on investments of amounts deposited into the Bond Service Fund and Capital Reserve Aid Fund.

The amounts described in (i) and (ii) above are paid to the Corporation from two special funds established by the Finance Law and held in the custody of the State Comptroller, the Municipal Assistance State Aid Fund and the Municipal Assistance Tax Fund, respectively. The Finance Law provides that the State Comptroller shall make payments from these special funds to the Corporation’s Bond Service Fund and Capital Reserve Aid Fund, in accordance with certificates of the Corporation setting forth the amount and timing of its cash requirements on a quarterly basis in order to deposit these amounts in advance of interest and principal payment dates and capital reserve funding dates. (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 is paid on an annual basis in June.) Payments of Sales Tax and Stock Transfer Tax revenues are made to the Corporation to meet requirements under the Second General Bond Resolution only to the extent such revenues are not needed to meet requirements under the First General Bond Resolution.

After the Corporation’s certified requirements have been satisfied in full for a particular quarter, excess moneys in such special funds are paid to the City. Stock Transfer Tax revenues not required by the Corporation are paid to a fund established to provide rebates of such Tax. Pursuant to the Finance Law, the State Comptroller may not disburse Sales or Stock Transfer Tax revenues or Per Capita Aid held by him to the City or any other entity so long as an amount certified by the Corporation as required to be paid by the date of disbursement to the City remains unpaid.
Payments to the Corporation by the State 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.

The holders of the Second Resolution Bonds do not have any lien on Per Capita Aid, Sales Tax or Stock Transfer Tax until the moneys derived therefrom are paid into the Corporation’s Bond Service Fund and Capital Reserve Aid Fund. The Act provides that 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 are executory only to the extent of the moneys available from time to time from such Aid and Tax sources and held by the State, 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 from such sources.

The Corporation currently holds substantial amounts of bonds of the City and will, as required by the Act, acquire substantial additional amounts of bonds in connection with providing capital financing for the City. Such obligations 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 Resolution. In certifying its requirements, the Corporation may not take into account any amounts payable on such City obligations but not yet received by the Corporation. However, the requirements for any fund may be reduced to the extent that such moneys are received and deposited into such fund of the Corporation.
The following chart illustrates the flow of money as described above:

1 Subject to appropriation by the State Legislature.
2 Upon certification by the Corporation.
3 And operating expenses of the Corporation.
4 After deduction of the amounts needed for First Resolution debt service and capital reserve funding and operating expenses.
5 After payment of all amounts certified by the Corporation and after payment of rebates of the Stock Transfer Tax. Amounts paid to the City are paid directly by the State.
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 or interest on the Second Resolution Bonds.

If the Corporation were to be authorized by State law to file a petition under Chapter 9 of the Federal Bankruptcy Code, and if it were to meet other conditions specified in such Chapter, the Corporation could file a petition for relief under Chapter 9 pursuant to which the Corporation's securities could be adjusted or modified. The Corporation is not now authorized by the State to file a Chapter 9 petition and the Corporation does not anticipate that it will seek such authorization or need the relief provided by Chapter 9.

**Appropriation by Legislature**

The Finance Law provides that the State Legislature shall appropriate Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation, and the Legislature has so appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for each of the State's fiscal years since the inception of the Corporation. The Corporation expects that the Legislature will continue to make such appropriations so long as the Corporation's bonds are outstanding. Under the State Constitution, however, the Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation.

The Corporation believes that any failure by the Legislature to make appropriations as expected would have a serious impact on the ability of the State and its agencies to raise funds in the public credit markets. See "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE."

The State is not bound or obligated to continue payment of Per Capita Aid or to impose either the Sales Tax or the Stock Transfer Tax or to make any appropriations to the Corporation of the revenues received therefrom. The Second General Bond Resolution, however, provides that each of the following shall constitute an event of default with respect to the Second Resolution Bonds: (i) the failure of the State to continue to pay Per Capita Aid, as the laws relating to Per Capita Aid may be amended, or a reduction by the State of the amount of Per Capita Aid payable during any fiscal year to an amount less than the maximum annual debt service payable on the outstanding Second Resolution Bonds; (ii) the failure of the State to continue the imposition of either the Sales Tax or the Stock Transfer Tax, each imposed by the Tax Law, as such Law may be amended, or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975; or (iii) the failure of the State Comptroller to pay to the Corporation the amounts certified by the Corporation.

The Finance Law provides that in no event shall the State Comptroller pay over and distribute to the City or any other entity other than the Corporation any Sales or Stock Transfer Tax revenues or Per Capita Aid held in the special funds (other than for State administrative charges), unless and until the aggregate of all cash required by the Corporation at the date of such distribution has been appropriated and has been paid to the Corporation.

Provisions of the State Constitution and the Finance Law require the setting aside of the first revenues received that are applicable to the State's General Fund if the State Legislature fails to make an appropriation for the payment of State indebtedness. Although the Sales Tax and the Stock Transfer Tax are revenues of the State, they are applicable to special funds, rather than the State's General Fund. Consequently, under existing law, the provisions requiring moneys to be set aside to pay State obligations would not apply to the Sales Tax and Stock Transfer Tax. However, Per Capita Aid is apportioned and paid from the State's General Fund and may be subject to being set aside to pay State obligations in the event the State fails to pay such obligations.
Per Capita Aid

Per Capita Aid consists of revenues that would otherwise be paid to the City as the City’s share of the State’s general revenue sharing program for localities throughout the State. 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 apportionment of general revenue sharing among localities is based on a statutory formula which takes into account the distribution of the State’s population, the total assessed valuation of real property taxable within the State, personal income, and other factors. Both the determination of the amount of statewide general revenue sharing and the apportionment of such revenue sharing among localities are legislative acts and the Legislature may amend or repeal the statutes relating to statewide general revenue sharing and the formulas which determine the amount of Per Capita Aid payable to the Corporation. 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. However, certain of such acts by the Legislature would be events of default under the Second General Bond Resolution, see “Appropriation by Legislature” in this PART 6. The financial condition of the State may affect the amount of Per Capita Aid appropriated by the Legislature.

The following table, which presents 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 1977, payable to the Corporation, for the last ten fiscal years of the City.

<table>
<thead>
<tr>
<th>Year</th>
<th>Per Capita Aid (Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$434,311(a) 1982 $484,037(c)</td>
</tr>
<tr>
<td>1978</td>
<td>434,324(a) 1983 484,037(c)</td>
</tr>
<tr>
<td>1979</td>
<td>481,569(b) 1984 484,024(c)</td>
</tr>
<tr>
<td>1980</td>
<td>484,036(c) 1985 484,024(c)</td>
</tr>
<tr>
<td>1981</td>
<td>484,037(c) 1986 512,092(d)</td>
</tr>
</tbody>
</table>

(a) Reflects State’s ceiling on Per Capita Aid payments at the 1976 level, with certain minor modifications applicable to 1978 payments.
(b) Does not include $49.276 million paid in October 1978.
(c) Reflects State’s ceiling on aid to localities.
(d) Amount expected to be paid on or before June 30, 1986.

Sales Tax

The Sales Tax is imposed within the City at the rate of 4% on receipts from most retail sales of tangible personal property and certain services and at the rate of 6% on receipts from parking, garaging or storing motor vehicles in the City. The Sales Tax is in addition to the 4% sales and compensating use taxes levied statewide and the 1/4 of 1% sales and compensating use tax levied in the regions served by the Metropolitan Transportation Authority. The Sales Tax is subject to certain limited exceptions, exemptions and exclusions. Under the Finance Law, the Sales Tax is paid into a special fund held by the State Comptroller on a monthly basis.

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.
Collections of the Sales Tax and the sales and compensating use taxes previously imposed by the City have increased in each of the last ten years, although the primary cause of the growth of Sales Tax collections in recent years has been inflation. 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 City has 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.

The following table sets forth State collections of the sales and compensating use taxes imposed by the State since July 1, 1975, on a quarterly basis for the last ten fiscal years of the City, after deductions of the costs of administration, collection and distribution. Footnotes to the tables detail changes in law and administrative procedures affecting the collection and distribution of the Sales Tax which are important to an understanding of the tables.

### 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>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
<td>December 31</td>
<td>March 31</td>
<td>June 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976(b)</td>
<td>$194,560</td>
<td>$193,690</td>
<td>$247,203</td>
<td>$167,155</td>
<td>$802,608</td>
</tr>
<tr>
<td>1977</td>
<td>215,794</td>
<td>210,383</td>
<td>248,927</td>
<td>183,280</td>
<td>858,384</td>
</tr>
<tr>
<td>1978</td>
<td>221,815</td>
<td>232,291</td>
<td>274,585</td>
<td>190,044</td>
<td>918,735</td>
</tr>
<tr>
<td>1979</td>
<td>232,732</td>
<td>239,852</td>
<td>317,400</td>
<td>208,750</td>
<td>998,734</td>
</tr>
<tr>
<td>1980</td>
<td>253,974</td>
<td>283,540</td>
<td>357,270</td>
<td>241,764</td>
<td>1,136,548</td>
</tr>
<tr>
<td>1981</td>
<td>293,581</td>
<td>313,990</td>
<td>413,179</td>
<td>273,324</td>
<td>1,294,074</td>
</tr>
<tr>
<td>1982</td>
<td>329,950</td>
<td>349,041</td>
<td>433,782</td>
<td>288,566</td>
<td>1,401,339</td>
</tr>
<tr>
<td>1983</td>
<td>338,727</td>
<td>373,836</td>
<td>387,483</td>
<td>388,897</td>
<td>1,488,943</td>
</tr>
<tr>
<td>1984</td>
<td>377,560</td>
<td>398,725</td>
<td>449,985</td>
<td>426,509</td>
<td>1,652,779</td>
</tr>
<tr>
<td>1985</td>
<td>414,663</td>
<td>433,959</td>
<td>458,324</td>
<td>480,416</td>
<td>1,787,362</td>
</tr>
<tr>
<td>1986</td>
<td>428,641</td>
<td>459,647</td>
<td>507,902</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

(a) Commencing March 1976, quarterly collections were distributed to localities based on historical collection data. Commencing June 1980, quarterly collections are distributed to localities based on historical collection and current unverified vendor data. Subsequent quarterly distributions to localities are adjusted to compensate for overdistributions or underdistributions when data on actual collections by locality are available. Such adjustments are reflected in the table for the quarter in which the subsequent distributions are made. Since March 1976, adjustments have ranged from $41,255 to $19.3 million to reflect overdistributions for certain prior periods and from $116,971 to $12.3 million to reflect underdistributions for other prior periods. Periods subsequent to June 1985 remain subject to the ongoing process of adjustment.

(b) Commencing March 1976, certain large vendors (those with taxable receipts of $300,000 or more in any quarter of the preceding four quarters) are required to prepay in March estimated amounts of Sales Tax liability for March in addition to filing their normal quarterly reports for the December-February quarter. Any adjustments necessary to reflect actual amounts of Sales Tax liability for the month of March are reflected in the June collection figures.
Stock Transfer Tax

The Stock Transfer Tax is imposed at rates ranging from $1/2 to 5¢ (based on the selling price per share) on sales, agreements to sell, memoranda of sale and deliveries or transfers made within the State of shares or certificates of stock and certain other certificates. The imposition of the Stock Transfer Tax is subject to certain limited exceptions and is subject to a maximum tax of $350 on any taxable transaction which involves a sale on a single day of shares or certificates of the same class issued by the same issuer.

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 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.

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 last ten fiscal years of the City, based upon the various rates prevailing and types of transactions taxable during the periods shown:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Three Months Ended</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
<td>December 31</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------------------</td>
<td>-------------</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</td>
<td>112,478(a)</td>
<td>93,648</td>
</tr>
<tr>
<td>1980</td>
<td>107,772</td>
<td>106,211</td>
</tr>
<tr>
<td>1981</td>
<td>146,066</td>
<td>182,600</td>
</tr>
<tr>
<td>1982</td>
<td>131,039</td>
<td>140,816</td>
</tr>
<tr>
<td>1983</td>
<td>163,745</td>
<td>249,295</td>
</tr>
<tr>
<td>1984</td>
<td>247,247</td>
<td>241,706</td>
</tr>
<tr>
<td>1985</td>
<td>235,580</td>
<td>231,066</td>
</tr>
<tr>
<td>1986</td>
<td>274,239</td>
<td>319,102</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.

In 1977, the State enacted a program of gradually increasing rebates for all Stock Transfer Tax payers. Rebates began October 1, 1977 with respect to transactions by non-residents subject to tax and began October 1, 1979 with respect to transactions by residents. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the Stock Transfer Tax at the above-stated rates and that revenues are to 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 obligations, such revenues are available on a quarterly basis for payment of rebates.

To date, the Corporation has not found it necessary to use the revenues derived from 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 these revenues in the future, although no assurance can be given that they will not be so required. See “PART 7—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.” If the Corporation were to require a substantial portion of the Stock Transfer Tax revenues otherwise subject to rebate, the resulting reduction in the amounts available for rebate could have an adverse effect upon the New York securities industry.

**Capital Reserve Aid Fund**

The Act requires the Capital Reserve Aid Fund to be at a level not less than 100% of the amount of debt service payable in the succeeding calendar year on any Second Resolution Bonds then to be issued and on all other Second Resolution Bonds outstanding on the date of calculation. Payments are to be made by the State, subject to appropriation by the Legislature, to the Capital Reserve Aid Fund if for any reason (including a payment from such Fund to the Bond Service Fund to make up a deficiency in the Bond Service Fund) the Capital Reserve Aid Fund falls below the required level. The amount of any such payment, if required, is to be in accordance with a certificate of the Corporation stating the sum, if any, required to restore the Capital Reserve Aid Fund to the required level.

The provision of the Act referred to above does not constitute an enforceable obligation or debt of the State and no moneys may be paid to the Corporation pursuant thereto absent an appropriation by the Legislature. See “Appropriation by Legislature” in this PART 6.

As of March 31, 1986, the fund contained $863.3 million and such fund is currently funded at an amount not less than the required level with securities valued in accordance with the requirements of the Act (which may differ from the market value of such securities). See Notes 2 and 4 to the financial statements of the Corporation contained in Exhibit A.

Moneys in the Capital Reserve Aid Fund may not be withdrawn at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service payable on the Second Resolution Bonds in the succeeding calendar year, except for the purpose of paying debt service on such Bonds if other moneys of the Corporation are not available. The Corporation has not found it necessary to use moneys in the capital reserve funds to pay debt service on any of its bonds.

As a result of the refunding of the Series 28, 29 and 30 Bonds and the issuance of the Series 58 Bonds, approximately $14.9 million will be released from the Capital Reserve Aid Fund. Giving effect to such release, the Capital Reserve Aid Fund will continue to be funded at not less than the required level under the Act.
PART 7—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS

In order to estimate coverage ratios for the Second Resolution Bonds that will be outstanding, the Corporation has assumed certain amounts of Per Capita Aid and 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 estimated the amounts of the following potential claims and liabilities on Per Capita Aid that are payable prior to the payment of Per Capita Aid to the Corporation, although since the inception of the Corporation no such claims have been asserted.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Capita Aid available to the Corporation during the Corporation’s 1986 fiscal year</td>
<td>$512,092</td>
</tr>
<tr>
<td>Less annual potential claims and liabilities:</td>
<td></td>
</tr>
<tr>
<td>(a) City University Construction Fund (“CUCF”)</td>
<td>$70,501</td>
</tr>
<tr>
<td>Amounts equal to 50% of CUCF’s share of certain State Dormitory Authority debt service and other expenses would be a claim against Per Capita Aid if not paid by the City to CUCF. The Corporation has been informed by CUCF that such debt service and other expenses are approximately $141 million during its current fiscal year. State law permits a maximum claim of $65 million in any fiscal year of the City.</td>
<td></td>
</tr>
<tr>
<td>(b) New York City Housing Development Corporation (“HDC”)</td>
<td>$24,118</td>
</tr>
<tr>
<td>Amounts required to restore the HDC capital reserve funds to the amount required to be on deposit in such funds would be a claim against Per Capita Aid if not otherwise paid. The Corporation has been informed by HDC that the aggregate capital reserve fund requirements on all outstanding bonds of HDC as of this date is approximately $24.1 million. State law currently permits a maximum claim of $30 million in any fiscal year.</td>
<td></td>
</tr>
<tr>
<td>(c) New York City Police Pension Fund</td>
<td></td>
</tr>
<tr>
<td>Amounts due annually from Per Capita Aid to the Trustees of the City Police Pension Fund</td>
<td>$500 $95,119</td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>$416,973</td>
</tr>
</tbody>
</table>

*(Although State law purports to limit claims on Per Capita Aid, such limitation may not be effective in the event that the then outstanding bonds of the State Dormitory Authority 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 percent of such principal amount, have a prior claim on Per Capita Aid. The Dormitory Authority has outstanding $1.2 billion in such bonds. The State has, however, enacted legislation under which it commits, subject to annual appropriation, to reimburse the City for a portion of the CUCF share of the Dormitory Authority’s debt service. The portion increased to 100% in the City’s 1983 fiscal year with respect to debt issued for senior colleges.)*
**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 March 31, 1986, see "PART 6—PAYMENT OF THE BONDS—Sales Tax" and "Stock Transfer Tax", and operating expenses of the Corporation are $10.7 million (the estimate for the 1986 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>Description</th>
<th>Amount  (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections for the 12 months ended March 31, 1986</td>
<td>$1,876,606</td>
</tr>
<tr>
<td>Stock Transfer Tax collections for the 12 months ended March 31, 1986</td>
<td>$1,232,455</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$3,109,061</td>
</tr>
<tr>
<td>Less: Operating expenses of Corporation</td>
<td>10,700</td>
</tr>
<tr>
<td><strong>Aggregate Sales and Stock Transfer Taxes</strong></td>
<td><strong>$3,098,361</strong></td>
</tr>
</tbody>
</table>

**Debt Service Requirements and Estimated Coverage Ratios**

As shown above, Adjusted Per Capita Aid is approximately $417 million and Aggregate Sales and Stock Transfer Taxes are approximately $3,098 million, for a total of $3,515 million.

The following table shows the aggregate annual debt service payment requirements on the First Resolution obligations which have a prior claim to that of the Second Resolution Bonds on the Sales and Stock Transfer Taxes. The Series 58 Resolution and certain other resolutions include a covenant by the Corporation that it will not issue any 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 obligations).

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 Series 58 Bonds and the refunding of the Series 28, 29 and 30 Bonds. The table also shows the coverage of aggregate annual debt service on Second Resolution Bonds by 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 Obligations.

There is no assurance 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 Series 58 Resolution and the Act.
# Debt Service Payment Requirements and Estimated Coverage Ratios

(after issuance of the Series 58 Bonds and giving effect to the refunding of the Series 28, 29 and 30 Bonds)

(Dollars in thousands)

| 12-Month Period Ended June 30 | Total Debt Service Payment Requirement on First Resolution Obligations (a) | Debt Service Payment Requirements on Second Resolution Bonds | Estimated Coverage Ratios on Second Resolution Bonds
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Payments (a)</td>
<td>Interest Payments</td>
<td>Total Debt Service</td>
</tr>
<tr>
<td>1987</td>
<td>124,855</td>
<td>160,830</td>
<td>521,861</td>
</tr>
<tr>
<td>1988</td>
<td>224,855</td>
<td>240,165</td>
<td>527,513</td>
</tr>
<tr>
<td>1989</td>
<td>292,355</td>
<td>269,275</td>
<td>507,134</td>
</tr>
<tr>
<td>1990</td>
<td>289,230</td>
<td>286,065</td>
<td>484,752</td>
</tr>
<tr>
<td>1991</td>
<td>300,355</td>
<td>308,785</td>
<td>460,518</td>
</tr>
<tr>
<td>1992</td>
<td>264,605</td>
<td>318,255</td>
<td>434,835</td>
</tr>
<tr>
<td>1993</td>
<td>255,355</td>
<td>334,270</td>
<td>408,154</td>
</tr>
<tr>
<td>1994</td>
<td>335,730</td>
<td>194,740</td>
<td>386,341</td>
</tr>
<tr>
<td>1995</td>
<td>343,718</td>
<td>221,345</td>
<td>368,820</td>
</tr>
<tr>
<td>1996</td>
<td>252,920</td>
<td>348,600</td>
<td>601,520</td>
</tr>
<tr>
<td>1997</td>
<td>260,565</td>
<td>326,676</td>
<td>587,241</td>
</tr>
<tr>
<td>1998</td>
<td>213,920</td>
<td>306,684</td>
<td>520,604</td>
</tr>
<tr>
<td>1999</td>
<td>225,925</td>
<td>288,176</td>
<td>514,101</td>
</tr>
<tr>
<td>2000</td>
<td>263,050</td>
<td>267,481</td>
<td>530,531</td>
</tr>
<tr>
<td>2001</td>
<td>239,835</td>
<td>245,919</td>
<td>485,754</td>
</tr>
<tr>
<td>2002</td>
<td>265,530</td>
<td>223,881</td>
<td>489,411</td>
</tr>
<tr>
<td>2003</td>
<td>297,105</td>
<td>199,188</td>
<td>496,293</td>
</tr>
<tr>
<td>2004</td>
<td>314,030</td>
<td>172,333</td>
<td>486,363</td>
</tr>
<tr>
<td>2005</td>
<td>322,295</td>
<td>144,489</td>
<td>466,784</td>
</tr>
<tr>
<td>2006</td>
<td>341,680</td>
<td>115,569</td>
<td>457,249</td>
</tr>
<tr>
<td>2007</td>
<td>362,950</td>
<td>84,998</td>
<td>447,948</td>
</tr>
<tr>
<td>2008</td>
<td>385,795</td>
<td>52,525</td>
<td>438,320</td>
</tr>
<tr>
<td>2009</td>
<td>412,480</td>
<td>17,885</td>
<td>430,365</td>
</tr>
</tbody>
</table>

(a) Includes Sinking Fund Installments

All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on all First and Second Resolution obligations, shown in the table above for the fiscal years 1987 through 2009, ranging from a low of 3.29 times in 1989 and 1991 to a high of 8.17 times in 2009 and such coverages average approximately 5.76 times.
In addition to the aggregate debt service payments with respect to the First Resolution obligations 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, which Fund is currently funded at not less than the required level.

PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although bonds of the Corporation are not obligations of the State, financial developments with respect to the State may affect the market for or market prices of the Corporation’s securities and the sources of payment for the Corporation’s securities. As described under “PART 6—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 the Sales Tax and, in certain circumstances, 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 the inception of the Corporation, 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 in the future may be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City.

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 has historically 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. 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 among the highest in the nation. The existence of this tax burden limits the State’s ability to impose higher taxes in the event of future financial difficulties.

Recently, the State has been relatively successful in bringing 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 tax increases at both levels of government.

The burden 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. Certain manufacturing facilities have relocated to other states. This trend has been partially offset by the location of some new manufacturing facilities in the State and by expansion of existing facilities in the State. While no sustained reversal of the State’s relative economic position has been projected, the actions taken to date, in combination with many other causes of regional economic changes, have slowed this trend. During calendar years 1982 and 1983, the State’s economy in most respects performed better than that of the nation. However, in calendar year 1984, the State’s rate of economic expansion was somewhat slower than that of the nation, and preliminary data indicate that this pattern continued in calendar year 1985. The State unemployment rate dipped below the national rate in the second half of calendar year 1981 and has generally remained lower since that time.
Financial Developments—Fiscal Years 1975-1986

During the mid-1970's, some of the State's public benefit corporations (the "Authorities") and municipalities (in particular, the City) faced extraordinary financial difficulties, which affected the State's own financial condition. In response to these financial problems, the State developed and implemented programs which were largely successful in addressing such problems. The State's experience has been that if the Authorities or municipalities suffer serious financial difficulties, both the ability of the State, Authorities and municipalities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected.

For its 1981 and 1982 fiscal years, the State achieved balanced budgets with receipts and disbursements on a cash basis of $15.2 billion and $16.8 billion, respectively.

Although the General Fund in the State's financial plan for its 1983 fiscal year was balanced when formulated in May 1982, the State incurred a cash basis operating deficit of $561 million in such fiscal year. The deficit was caused, in part, by a reduction in receipts due to the failure of the national and State economies to recover from the recent recession at the time assumed in the original budget projections, the actions of the Legislature in mandating, over the Governor's veto, certain additional disbursements and the failure of the Legislature to enact certain proposals designed to prevent diversion of General Fund receipts to support mass transit. These unfavorable developments were, in part, offset by available reserves in the original financial plan for such fiscal year, higher than projected lottery receipts, and a series of expenditure control actions. The State financed this cash basis operating deficit through the issuance of $500 million in tax and revenue anticipation notes and through the use of available General Fund balances. The State completed its 1984, 1985 and 1986 fiscal years with its General Fund Financial Plan balanced on a cash basis.

On July 23, 1985, the Comptroller reported the State's comprehensive (all funds) financial position as of March 31, 1985 and operating results, which have been audited by independent certified public accountants, for the State's 1985 fiscal year in accordance with GAAP. When reported in accordance with GAAP, the State's governmental funds group shows a net operating deficit of $26 million for the 1985 fiscal year. This net operating deficit reflects an operating deficit in the General Fund of $106 million, partially offset by operating surpluses in Special Revenue, Capital Projects and Debt Service Fund types of $57 million, $6 million and $17 million, respectively.

The State's combined balance sheet at March 31, 1985, which has been audited by independent certified public accountants, reflects an accumulated deficit, on a GAAP basis, in the State's governmental funds in the amount of $3.425 billion. This deficit includes accumulated deficits in the General Fund and Capital Projects Fund types of $4.437 billion and $46 million, respectively, and surpluses of $304 million and $754 million in Special Revenue and Debt Service Fund types, respectively.

Program for the 1987 Fiscal Year

The State's General Fund cash-basis projections for the 1987 fiscal year show anticipated receipts of $24.630 billion, an increase of $1.769 billion (7.7%) over total receipts in the State's 1986 fiscal year. Total General Fund disbursements in the 1987 fiscal year are projected to be $23.400 billion, and the year-end balance in the General Fund is required by law to be increased by $16 million to restore to $169 million the fund balance depleted in prior years. The projection of disbursements reflects an increase of $1.649 billion (7.6%) over the total amount disbursed in the State's 1986 fiscal year. In addition, the General Fund for the State's 1987 fiscal year includes operating transfers from other governmental funds of $159 million and operating transfers to other governmental funds of $1.373 billion.

The following discussion describes the 1987 State Financial Plan as formulated on April 6, 1986. The State's governmental fund types account for substantially all State nonpension financial operations. Governmental funds include the General Fund, which receives all income not required by law to be deposited
in another fund, or approximately 66% of total governmental fund receipts exclusive of interfund transfers; Special Revenue Funds, the use of the income of which is legally restricted to certain purposes, which account for 29% of total governmental fund receipts; the Capital Projects Funds, used to finance the acquisition and construction of major capital facilities by the State and to aid in such projects conducted by local governments or public authorities, which account for 2% of governmental fund receipts, and Debt Service Funds, used as depositories for funds to be used to pay the principal of and interest on long-term debt and lease purchase and other commitments, which comprise 3% of governmental fund receipts.

Taxes account for 94% of the State's General Fund receipts which are expected to total $24.630 billion in the State's 1987 fiscal year, with the balance made up of miscellaneous receipts and certain Federal grants.

Major components of the State's tax structure include:

(i) The personal income tax, imposed on the income of individuals, estates and trusts at rates ranging from 2% on the first $1,000 to 13.5% on amounts in excess of $26,000 on New York taxable income (determined by making several adjustments to Federal adjusted gross income). The maximum rate on personal service or earned income, however, is 9.5% on amounts of such income in excess of $16,000. Legislation enacted in 1985 will reduce the maximum tax rate to 13% during calendar year 1987. The maximum rate on earned income will be reduced to 9% by 1987. Receipts from this tax accounted for 53% of General Fund tax receipts in the State's 1985 and 1986 fiscal years and are projected to account for 54% of General Fund tax receipts in the State's 1987 fiscal year.

(ii) User taxes and fees, the largest of which is the State sales and use tax. This tax, imposed at a statewide rate of 4%, applies to the sale or use within the State of most tangible personal property, commercial and industrial utility service billings, charges for meals, hotel and motel occupancy and admissions charges, as well as certain services. Sales and use tax receipts accounted for 20% and 21% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to account for 21% of General Fund tax receipts in the State's 1987 fiscal year. Also included in this category are receipts from tax on the sale, generally for highway use, of gasoline (8 cents per gallon) and diesel fuel (10 cents per gallon); a tax on the sale of cigarettes (21 cents per pack); a tax, at varying rates, on liquor, beer, wine and other beverages; two highway use taxes; motor vehicle registration and operators' license fees; and fees for permits to manufacture, distribute or sell alcoholic beverages in the State. Receipts from these levies accounted for 8% and 7% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to account for 7% of total General Fund tax receipts during the State's 1987 fiscal year.

(iii) Business taxes, which include a general business corporation franchise tax as well as specialized income taxes on banks and insurance companies and gross receipts taxes on utilities, transportation and transmission companies, and businesses engaged in the sale or importation for sale of petroleum products accounted for 15% and 14% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to yield 13% of General Fund tax receipts during the State's 1987 fiscal year. The general business tax is imposed at a rate of 10% on an allocated portion of entire net income, determined by making several adjustments to Federal taxable income, the most significant of which is that for property other than property placed in service in New York State in taxable years beginning after 1984, the "accelerated" portion of depreciation deductions allowed under the Federal accelerated cost recovery program is disallowed. Receipts from this tax are expected to account for approximately 48% of all business taxes in the State's 1987 fiscal year.

(iv) Other taxes, including taxes on pari-mutuel wagering, estate and gift taxes, a special 10% tax on the gain from the sale of certain real estate where the consideration exceeds $1 million and certain other minor taxes. Receipts from these sources accounted for 4% and 5% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to total 5% of General Fund tax receipts in the State's 1987 fiscal year.
Miscellaneous receipts, accounting for $1.340 billion in projected 1987 General Fund receipts include investment income, a variety of fees and assessments, abandoned property collections and other varied sources. Federal grants in the General Fund, projected at $90 million for the State's 1987 fiscal year, principally reflect Federal reimbursement for the operating costs of the Department of Transportation.

General Fund disbursements for the State's 1987 fiscal year are projected to total $23.400 billion. Grants to local governments, projected at $15.356 billion for the State's 1987 fiscal year and the largest category of General Fund disbursements, accounted for 62% and 64% of General Fund disbursements in the State's 1985 and 1986 fiscal years, respectively, and are projected to account for approximately 66% of total General Fund disbursements in the State's 1987 fiscal year. In the State's 1987 fiscal year, aid to elementary, secondary and higher education accounts for 50% within this category. Social services expenditures, including Medicaid and income maintenance, account for 30%. Other local assistance programs include State revenue sharing, aid for health and environmental quality, drug abuse control, transportation and other governmental services.

State operations spending, projected at $6.156 billion for the State's 1987 fiscal year, accounted for 28% and 27% of General Fund disbursements in the State's 1985 and 1986 fiscal years, respectively, and is projected to account for 26% of General Fund disbursements during the State's 1987 fiscal year. Such operations spending includes payment of salaries, operation of the State University system and State courts, maintenance of State mental hygiene, health and correctional facilities and other general operational costs. Personal service costs account for approximately two-thirds of projected disbursements in this category.

General State charges accounted for 8% of General Fund disbursements in the State's 1985 and 1986 fiscal years and are projected to account for 7% of total General Fund disbursements in the State's 1987 fiscal year. They include contributions to pension systems, the employer's share of social security contributions, medical and death benefits for State employees and retirees and other fringe benefits, including employee benefit funds. They also include payments of judgments against the State and payments in lieu of taxes.

Disbursements for interest payments on the State’s short-term tax and revenue anticipation notes and bond anticipation notes which are made directly from the General Fund accounted for 1% of General Fund disbursements in the State's 1985 and 1986 fiscal years and are projected to account for 1% of total General Fund disbursements in the State's 1987 fiscal year.

Other financing sources and uses in the 1987 State Financial Plan include operating transfers from and to other funds. This category of receipts and disbursements results from the adoption of a GAAP-based funds classification by the State.

Transfers from other funds to the General Fund arise when certain moneys received in other governmental funds that are not legally required to be spent are transferred to the General Fund or when reimbursement of certain spending from the General Fund occurs. The largest transfer to the General Fund represents Federal reimbursements for the administrative expenses of the Department of Social Services. Transfers from other funds to the General Fund were $134 million and $140 million during the State's 1985 and 1986 fiscal years, respectively, and are projected at $159 million for the State's 1987 fiscal year.

Transfers to other funds from the General Fund principally reflect transfers to Debt Service Funds to meet the State's general obligation debt service requirements and certain lease-purchase payments and to Capital Projects Funds to finance a portion of the State's capital construction program. Transfers to other funds from the General Fund totalled $1.500 billion and $1.199 billion in the State's 1985 and 1986 fiscal years, respectively, and are projected at $1.373 billion during the State's 1987 fiscal year.
Federal grants are projected to account for 81% of the $10.551 billion in total projected receipts in Special Revenue Funds in the State's 1987 fiscal year. Approximately 86% of the Federal Funds received in this fund type are on account of Medicaid, income maintenance and associated social services, education and health programs. The balance represents grants for specific programs primarily in environmental conservation and labor-related functional categories.

Tax revenues account for 4% of receipts in the Special Revenue Funds, virtually all of which are dedicated to the support of mass transportation service throughout the State. The projection of tax receipts in this fund type assumes the expiration of the business tax surcharges in the Metropolitan Transportation Authority region as scheduled on December 31, 1986. Miscellaneous receipts, largely fees and other charges, the proceeds of which are dedicated to the support of specific programs, account for the balance of receipts in these funds.

Disbursements from Special Revenue Funds are projected at $11.325 billion for the State's 1987 fiscal year. Disbursements for grants to local governments from this fund group, projected at $8.342 billion, are primarily for the Federal share of Medicaid and other social services programs, school lunch and breakfast programs and assistance for transportation and mass transportation programs. Disbursements for State operations and general State charges, projected at $2.964 billion, primarily reflect the operating costs of the State University of New York and the Departments of Health and Mental Hygiene that are supported by tuition, room rental and other fees and charges for patient care.

Operating transfers from other funds to Special Revenue Funds, totalling $1.719 billion, primarily represent the movement of income generated by the Mental Hygiene Agencies, the State University and the Department of Health in excess of lease-purchase disbursements to these agencies' operating accounts. The $882 million in operating transfers to other funds from Special Revenue Funds consist primarily of reimbursements for General Fund operating costs of the Department of Social Services and the payment of Medicaid and other fees and charges for patient care.

Federal grants for capital projects, largely highway-related, are projected to account for 71% of the $721 million in total projected receipts, exclusive of transfers and bond proceeds, in Capital Projects Funds in the State's 1987 fiscal year, while miscellaneous revenues, mainly repayments from public authorities and localities of advances made by the State, are projected to account for 29%. The projection of miscellaneous receipts in the Capital Projects Funds assumes the receipt of approximately $100 million in reimbursements from the New York State Urban Development Corporation ("UDC") and the New York State Thruway Authority ("Thruway Authority") from the sale of their bonds and notes. The legislation authorizing UDC to issue bonds and enter into a lease-purchase arrangement with the State is the subject of pending litigation. To the extent these receipts are not realized in the State's 1987 fiscal year, additional disbursements from the General Fund would be required to support ongoing programs.

Total disbursements from Capital Projects Funds are projected at $1.899 billion during the State's 1987 fiscal year, 66% of which is for various transportation and mass transportation programs, 6% of which is for programs of the Department of Correctional Services and the Division for Youth, 6% of which is for health and mental hygiene programs, 7% of which is for environmental and recreational programs, 7% of which is for housing and economic development programs, and 6% of which is for educational programs. The balance (2%) will be disbursed for maintenance of State office facilities and various other capital programs.

Spending from Capital Projects Funds is also supported by operating transfers from other funds. Approximately 98% of such transfers come from the General Fund. The proceeds from the issuance of the State's general obligation bonds are also received in Capital Projects Funds. The State anticipates the sale for
capital financing purposes of $475 million of its general obligation bonds and bond anticipation notes during its 1987 fiscal year.

Miscellaneous revenues, largely tuition and charges associated with the State University system and third-party payments for care of those served in State mental hygiene facilities, are projected to account for 97% of the $1.227 billion in total projected receipts in Debt Service Funds in the State's 1987 fiscal year. Pursuant to applicable bond covenants, this revenue is initially pledged to support bonds issued to finance State University and mental hygiene facilities. These funds also receive minor amounts of Federal grants and earmarked motor fuel tax receipts that are also pledged to debt service requirements.

Total disbursements from Debt Service Funds are expected to total $954 million during the State's 1987 fiscal year. Of this total approximately 52% reflects payment of debt service on State general obligation debt and the balance reflects lease-purchase and other contractual obligation payments for State office facilities, State University, Health and Mental Hygiene facilities and certain other commitments.

Operating transfers from other funds to Debt Service Funds are projected to total $1.384 billion in the 1987 State Financial Plan, approximately 44% of which represents transfers from the General Fund for payment of debt service on general obligation debt and lease-purchase and contractual-obligation payments. The balance of such transfers represents Medicaid reimbursements attributable to the debt service fund of the Department of Mental Hygiene. Operating transfers to other funds from Debt Service Funds in the 1987 State Financial Plan projected at $1.694 billion principally include the transfer of receipts in excess of lease-purchase obligations that can be used to offset a portion of the operating costs of the Department of Health, the Office of Mental Health, the Office of Mental Retardation and Developmental Disabilities, and the State University.

In accordance with State law, the 1987 Executive Budget presented a summary financial plan for the State's 1987 fiscal year for the four governmental funds prepared in accordance with GAAP. That plan included an operating surplus on a GAAP basis for the General Fund. The State is also required to prepare a summary financial plan for the four governmental funds on a GAAP basis for the State's 1987 fiscal year as soon as practicable after the formulation of the 1987 State Financial Plan. Based upon the appropriations bills and revenue measures enacted by the Legislature, the State Division of the Budget has made a preliminary projection that this plan will include an operating surplus in the General Fund on a GAAP basis for the State's 1987 fiscal year.

The 1987 State Financial Plan is based upon levels of Federal spending in excess of those in the President's proposed Federal budget for the Federal fiscal year commencing October 1, 1986. If the spending reductions in the President's proposed budget should be enacted as proposed, the direct adverse impact on the 1987 State Financial Plan, principally in increased disbursements for the State's share of Medicaid payments and the costs of other social service programs, is expected to be between $140 million and $160 million occurring during the last six months of the State's 1987 fiscal year. Adoption of the proposed Federal spending reductions would, however, have a more adverse impact upon the State's localities and its taxpayers and could result in requests from localities for increased assistance from the State. It is not certain whether the 1987 Federal budget, which must be adopted by the Congress, will be enacted as proposed by the President. A concurrent Congressional budget resolution was required to be adopted by both Houses of Congress by April 15, 1986. Such a resolution has not yet been adopted. If adopted, this budget resolution might contain some, all or none of the spending reductions proposed by the President. There can be no certainty that such budget resolution will form the basis for the budget for the Federal fiscal year commencing October 1, 1986.

The Federal Balanced Budget and Emergency Deficit Control Act of 1985 ("Gramm-Rudman") requires a balanced Federal budget by Federal fiscal year 1991. In accordance with this act, a 4.3% reduction
in spending for Federal programs has been put into effect for the period from March 1 through September 30, 1986. The validity of this reduction has been successfully challenged in court but the effect of the challenge has been stayed pending appeal to the United States Supreme Court. If the Federal budget for the fiscal year commencing October 1, 1986 does not meet the deficit reduction targets of Gramm-Rudman, the legislation would require further reductions in spending for Federal programs to take place after September 30, 1986. Based on a review of the Federal programs affected by Gramm-Rudman's provisions, the State projects a negligible impact on the 1987 State Financial Plan. Similarly, the deferrals for Federal fiscal year 1986 as proposed by the President in his 1987 budget would have a negligible impact on the 1987 State Financial Plan.

As with any Federal legislation which substantially alters Federal fiscal policy, Gramm-Rudman could have an indirect effect on the State through its impact on the overall economy. The 1987 State Financial Plan is based on an economic outlook that assumes strong real economic growth and relatively low inflation rates. Underlying this forecast are the policy assumptions that although the Gramm-Rudman deficit targets will not be fully achieved, substantial cuts will be made in the 1987 Federal deficit, and that the Federal Reserve will provide an accommodative monetary policy to offset the relatively tight fiscal policy. If these assumptions do not materialize, the results projected in the 1987 State Financial Plan may not be achieved. Gramm-Rudman could have an adverse impact on the State's localities.

On November 10, 1982, Standard & Poor's Corporation reduced its rating on the general obligation bonds of the State from AA- to A+, citing the State's continued use of one-time revenues, increased use of income tax refund deferrals, rising seasonal cash requirements and borrowings and the increase in the size of the projected deficit for the 1983 fiscal year from the July 1982 projection. At the same time, Standard & Poor's Corporation also reduced its rating on certain bond issues of various Authorities, not including the Corporation. On November 12, 1982, Moody's Investors Service, Inc., reduced its rating on outstanding State tax and revenue anticipation notes from MIG-1 to MIG-2. However, since April 9, 1984, Moody's Investors Service, Inc., has rated the State's tax and revenue anticipation notes at MIG-1. Ratings reflect the views of the respective rating agency and explanations of such ratings may be obtained from each of the individual rating agencies. Any action by a rating agency to lower the credit rating on any outstanding indebtedness of the State may have an adverse impact on the market prices of or on the market for the Corporation's bonds.

Problems of Authorities and Localities

The fiscal stability of the State is related, at least in part, to the fiscal stability of its localities and Authorities. Various Authorities have issued bonds secured, in part, by non-binding statutory provisions for State appropriations to maintain various debt service reserve funds established for such bonds (commonly referred to as "moral obligation" provisions).

At March 31, 1986, there was outstanding $18.6 billion aggregate principal amount of bonds and notes issued by Authorities which are either guaranteed by the State or supported by the State through lease-purchase arrangements, other contractual obligations or moral obligation provisions of which the Corporation's bonds totalled approximately $7.9 billion. Debt service on outstanding Authority obligations is normally paid out of revenues generated by the Authorities projects, but in recent years the State has provided special financial assistance, in some cases of a recurring nature, to certain Authorities for operating and other expenses and for debt service pursuant to moral obligation indebtedness provisions or otherwise.

Several Authorities have, in the past, experienced financial difficulties. Certain Authorities continue to experience financial difficulties requiring financial assistance from the State. These Authorities are discussed below.
The Metropolitan Transportation Authority ("MTA") oversees the operation of the City's bus and subway lines by the New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, the "Transit Authority" or the "TA") and through its subsidiaries, the Long Island Rail Road and the Metro-North Commuter Railroad Company, operates certain commuter rail lines in the New York metropolitan area. Fare revenues are not sufficient to finance these operations. Therefore, the MTA has depended and will continue to depend upon a system of operating support from Federal, State, local government and an MTA affiliate, Triborough Bridge and Tunnel Authority ("TBTA") sources, including loans, grants and operating subsidies.

The MTA completed its 1985 fiscal year on December 31, 1985 with its budgets of approximately $3.7 billion balanced on a cash basis. The TA ended its fiscal year on December 31, 1985 with a cash balance available for operations of approximately $4.0 million.

For its 1986 fiscal year ending December 31, 1986, the MTA is projecting balanced operating budgets on a cash basis, based upon adopted fare increases of 10 cents for the TA, approximately 11 percent for commuter rail operations and a 25 cent toll increase on TBTA facilities, as well as receiving substantial assistance from the State. To meet its cash flow requirements, the TA issued $81 million in short-term notes on March 31, 1986 in anticipation of Federal grant moneys to be received in 1986. Over the past several years the State has enacted several taxes—including a surcharge on the profits of banks, insurance corporations and general business corporations doing business in the 12-county region served by the MTA and a special one-quarter of 1 percent regional sales and use tax—that provide additional revenues for mass transit purposes, including assistance to the MTA. In December 1984, the State legislature approved a two-year extension through December 1986 of the business tax surcharge in the MTA region. The MTA's projections are based on certain assumptions, including the repayment of an obligation to the State which was made in March 1986. The MTA has projected 1987 budget gaps of $154 million for the TA and $17 million for its commuter rail operations. These projections assume, among other things, that the business tax surcharge will be extended (or an equivalent revenue source will replace it) and that Federal operating assistance will continue at current levels. Should any of the assumptions used by the MTA in arriving at its 1986 and 1987 projections prove incorrect, the MTA could incur deficits in calendar year 1986 or 1987 and would therefore be required to seek additional State assistance or to increase fares. The MTA Subcommittee of the Governor's Council on Fiscal and Economic Priorities, chaired by Felix G. Rohatyn, Chairman of the Corporation, in a report to the Governor on January 29, 1986, stated that the New York City token would have to increase to $1.65 in 1990 and $2.05 in 1993 in order to cover projected annual TA operating deficits, including costs of substantial capital financing, of $565 million in 1990 and $882 million in 1993, even with extension of the regional business tax expiring December 31, 1986.

In 1981, the Legislature authorized procedures for the adoption and approval of five-year capital program plans designed to upgrade the performance of the MTA's transportation systems and to supplement, replace and rehabilitate facilities and equipment, including certain additional bonding authorization therefor. The 1982-86 Capital Program contemplated total program expenditures and commitments during the five-year period ending December 31, 1986 of approximately $7.8 billion against total resources of $8.5 billion. As of December 31, 1985, approximately $6.1 billion in contracts for the 1982-86 Capital Program had been awarded by the MTA. This program, which is expected to be modified or amended from time to time, is expected to be funded from various sources, including TBTA bonds, MTA special obligation revenue bonds, service contracts between the State and the MTA and MTA bonds secured by such service contracts, Federal subsidies, financings related to certain leasing provisions of the Federal tax law, and additional capital funds for buses and ancillary facilities from the Port Authority of New York and New Jersey. The State has entered into service contracts with the MTA providing for annual appropriations by the State over a 35-year period of not in excess of $80 million. The 1987 State Budget includes $80 million to fund these contracts during the State's 1987 fiscal year. The MTA proposes to extend the 1982-86 Capital Program through the 1987-89 period in a proposal currently under consideration. The 1987-89 extension proposal provides for a budget of
$4.5 billion, including the $800 million which is expected to be carried forward from the 1982-86 Capital Program.

The Congress has adopted a budget for Federal fiscal year 1986 which reduces transit capital grants by approximately 12 percent in fiscal year 1986. In addition, Gramm-Rudman may require further cuts of 4.3% in Federal fiscal year 1986. The MTA estimates that these actions could result in a reduction of its Federal capital grants of up to $52 million. However, until the Federal budget process is finalized, the extent of potential reduction in Federal capital grants is uncertain. In addition, the Federal government is currently withholding $74 million in capital funds to the TA for two major tunnel construction projects, pending the outcome of an independent consultant report on the possible structural problems recently identified. If the MTA capital program is delayed because of funding shortfalls or other factors, ridership and fare revenues are expected to decline over time as a result of the deterioration of the mass transit system. A loss of fare revenues could, among other things, adversely affect the MTA’s ability to meet its operating expenses without additional State assistance.

The New York State Housing Finance Authority (“HFA”) and UDC face significant financial difficulties with some of the projects on which they hold mortgages. Seven HFA housing projects were more than one month in arrears in their monthly mortgage repayment escrow deposits due as of June 30, 1985. Five of these mortgagors were current in payments under settlement or workout agreements with HFA for rescheduling the amounts or timing of these obligations. HFA has commenced foreclosure proceedings against one mortgagor and expects to take appropriate action regarding the other. The most significant of the projects in arrears is Co-op City, on which HFA holds a mortgage with an original principal amount of $390 million. The New York State Division of Housing and Community Renewal, HFA, and Riverbay Corporation, the cooperative corporation that owns Co-op City, have entered into a memorandum of understanding, to be embodied in a settlement agreement, which is expected to result in a final settlement of all disputes among the parties. The agreement limits potential State liability for past and future construction defects at Co-op City to $171 million including expenditures to date and provides that Co-op City will release all pending claims against the State and HFA. Pursuant to the agreement Co-op City will resume paying full debt service on the HFA mortgage no later than July 1, 1986, and on July 1, 1996 will begin repaying mortgage arrearages accumulated between November 1, 1979 and March 31, 1986 totalling approximately $140 million. In addition, to the extent that Co-op City does not make full debt service payments for the months of April, May and June 1986, it must make payments to HFA on the first day of July 1986 and on the first day of each of the succeeding eight months, in an amount equal to one ninth of the difference between mortgage debt service payments actually made for April, May and June 1986 and the full amount of mortgage debt service required for April, May and June 1986. Co-op City agrees to establish rent increases to meet its future obligations. The memorandum of understanding also provides that Co-op City will pay certain disputed amounts and repay the State $2.5 million in 1992 and 1993, respectively. As part of the agreement, the State will pay Co-op City $20.5 million over the next three years. Of that amount $5.594 million is payable in the State's 1987 fiscal year. In addition the State is obligated to pay up to $31.351 million in its 1987 fiscal year for construction defects. The agreement also obligates the State to provide on or about April 1, 1987, $17 million which will be dedicated to the payment of debt service over the remaining term of the mortgage. As a result of mortgage payment delinquencies of Co-op City and, to a substantially lesser extent, of certain other projects, the State has paid approximately $155.1 million, between January 1976 and March 31, 1986, to restore deficiencies in the debt service reserve funds of HFA. At the end of each of the State's fiscal years, HFA's Non-Profit Housing debt service reserve fund must contain an amount equal to the maximum debt service on such bonds due in any succeeding calendar year. During the State's 1986 fiscal year, the State appropriated and paid $19.6 million to the debt service reserve fund securing HFA's Non-Profit Housing Project Bonds. The 1987 State Financial Plan projects an amount for payment to HFA that the State expects to be sufficient to replenish withdrawals from its Non-Profit Housing and General Housing debt service reserve funds during the State's 1987 fiscal year.
UDC has experienced, and expects to continue to experience, financial difficulties with the housing programs it had undertaken prior to 1975, because a substantial number of these housing program mortgagors are unable to make full payments on their mortgage loans. Mortgage payment arrearages by these project mortgagors were $18.0, $16.7, $14.9 and $14.8 million during calendar years 1982, 1983, 1984 and 1985, respectively, and, through a subsidiary, UDC is currently attempting to increase its rate of collection by accelerating its program of foreclosures and by entering into settlement agreements. Owing to the continuing problems with its housing programs, UDC has been, and will remain, dependent upon the State for appropriations to meet its expenses. In its 1985 and 1986 fiscal years, the State appropriated $6.4 million and $6.0 million, respectively, to UDC for corporate operating expenses, and the recommended 1987 State Financial Plan includes a $6.3 million appropriation to UDC for corporate operating expenses. Failure by the State to make appropriations to UDC as moneys are required for operating expenses could lead to debt service shortfalls by UDC and result in UDC's having to draw upon debt service reserve funds in order to meet its debt service requirements. This would cause UDC to request the State to replenish such funds in order to avoid a default on all or a portion of the $838 million of UDC moral obligation bonds outstanding on March 31, 1986.

In April 1983, legislation was enacted authorizing UDC to issue up to $380 million in obligations to finance correctional facilities pursuant to lease-purchase financing arrangements with the State. Pending the issuance of the bonds authorized by the legislation, the State is advancing the amounts necessary to complete critically needed correctional facilities. Litigation challenging this financing arrangement is pending. Legislation enacted in 1985 increased the authorization for UDC to issue such bonds to $513 million.

Failure of the State to appropriate necessary amounts or to take other action to permit the Authorities to meet their obligations could result in a default by one or more of the Authorities. If a default were to occur, it would likely have a significant adverse effect on the market price of obligations of the State and its Authorities, including the Corporation.

Certain localities other than New York City could have financial problems leading to requests for additional State assistance during the State's 1987 fiscal year, particularly the counties and other localities on Long Island. The anticipated and potential problems stem, in part, from reductions in Federal spending contained in the President's proposed 1987 Federal budget and from litigation and judicial decisions relating to property tax assessments and rates and pension contributions by such localities, as well as from longer range economic trends.

The Long Island Lighting Company ("LILCO") is the investor-owned utility which supplies gas service and substantially all electric service in Nassau and Suffolk counties and a small portion of Queens County in New York City. LILCO has faced serious cash-flow and other financial difficulties that were attributable to, among other things, construction problems on its 809-megawatt Shoreham Nuclear Power Facility, the cash-flow problems of carrying debt service on that facility, and certain problems in obtaining a Federal operating license for the Shoreham facility. LILCO has reported that its cash position has improved, owing to various actions taken by LILCO. The Governor has appointed a State task force to review the possibility of a transition to public power on Long Island.

LILCO is the largest single real property taxpayer in both Suffolk and Nassau counties with total school, town and county taxes levied on its properties in 1985 of approximately $140 million in Suffolk County and $85 million in Nassau County. LILCO has challenged certain property tax assessments levied in Suffolk County on the Shoreham facility and seeks substantial refunds. If LILCO is successful in this pending litigation, or if the Shoreham plant does not operate and, therefore, its value for tax purposes is reduced substantially, or if LILCO is taken over by a governmental entity which is not required to pay taxes, there could be severe financial difficulties for the affected localities, particularly in Suffolk County, where the impact of uncollected school, town or county taxes is effectively borne by the County.

In light of these developments, including a $1.395 billion disallowance of the cost of Shoreham (estimated at $4.4 billion) levied by the Public Service Commission in December 1985, the State could be requested by LILCO or others, including utility ratepayers on Long Island, and Nassau and Suffolk counties.
and their respective localities where LILCO is a significant local taxpayer, to assist LILCO directly or indirectly, or otherwise to participate in resolving LILCO's financial difficulties. There are, however, no legal requirements under which the State is obligated to participate in alleviating LILCO's financial difficulties, and the 1987 State Financial Plan does not project any direct or indirect State financial assistance for LILCO.

**Litigation**

Certain litigations pending against the State or its officers or employees could have a substantial or long-term, adverse effect on State finances. Among the more significant of these litigations are those that involve: (i) the validity of agreements and treaties by which the Oneida and Cayuga Indians transferred title to the State of approximately 6 million acres of land in central New York; (ii) certain aspects of the State's Medicaid rates and regulations, including reimbursements to providers of mandatory and optional Medicaid services; (iii) the treatment provided at several State mental hygiene facilities; (iv) the care and housing for individuals released from State mental health facilities; (v) the conduct of the State, HFA, and the State Commissioner of Housing and Community Renewal in the construction, financing, supervision and management of Co-op City; (vi) contamination in the Love Canal area of Niagara Falls; (vii) certain aspects of the former plan to construct the Westway project; (viii) educational accommodations for learning disabled students at a State University; (ix) alleged employment discrimination by the State of New York and its agencies; (x) alleged State negligence following polychlorinated biphenyl contamination of the Binghamton State Office Building; (xi) the collection and crediting of the State's business franchise tax; (xii) a challenge to the State's practice of reimbursing certain Office of Mental Hygiene patient care expenses with clients' Social Security benefits; (xiii) the validity of a lease-purchase agreement pursuant to which the State is to lease prisons financed by bonds issued by UDC; (xiv) challenges to the methods by which the State computes its aid to localities and to school districts; (xv) disputes as to retirement benefits payable to certain State and municipal employees; (xvi) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; and (xvii) a dispute as to whether under current law the State must reimburse local governments for Medicaid expenditures made for certain mentally disturbed patients.

**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 Corporation's securities. 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. During the time the Series 58 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 10—VARIOUS CONTROL PROGRAMS."

This section describes the City's actual operating results for the 1982, 1983, 1984 and 1985 fiscal years, and some of the financial difficulties the City is expected to face in the future. It provides only a brief summary of the complex factors affecting the City's financial condition. This section is based in substantial part on information reported to the Corporation by the City, the staff of the Control Board, and OSDC, or as presented in the City's four year financial plans or the Official Statements prepared by the City in connection with the issuance of its securities, or contained in other reports and statements referred to herein.

**Fiscal Years 1975-1985**

During 1975 the City became unable to market its securities and entered a period of extraordinary financial difficulties. In response to this crisis, the State created the Corporation and enacted the Emergency Act, which created the Control Board. See "PART 10—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).
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 accounting principles then permitted by State law by the 1978 fiscal year.

In order to provide both seasonal and long-term financing for the City for fiscal years 1976 through 1978, a number of actions were taken. The City and the Federal Government entered into an agreement which provided the City with seasonal financing for the period. Certain City pension funds agreed to provide the City with long-term financing by purchasing City bonds and the City's sinking funds exchanged City notes for City bonds. In addition, bonds of the Corporation were: (1) purchased by certain commercial banks and City pension funds, (2) sold to the public, and (3) exchanged for outstanding City notes. In November 1975, the State Legislature enacted the New York State Emergency Moratorium Act, which suspended the rights of holders of short-term notes of the City to bring suit to enforce payment of such notes. The State Court of Appeals subsequently held the Moratorium Act unconstitutional and all of such notes have either been paid or exchanged for bonds of the Corporation.

During the 1976 through 1978 fiscal years, the City, among other actions, took steps to reduce the number of its employees, entered into labor contracts consistent with the assumptions contained in the Three Year Financial Plan and with the wage guidelines adopted by the Control Board, began charging general tuition at the City University of New York, and received additional State and Federal aid. Under the Three Year Financial Plan, the City Comptroller reported, in accordance with the accounting principles permitted by State law, operating deficits of $968 million and $329 million, for the 1976 and 1977 fiscal years, respectively. The City Comptroller has estimated that without the two major deviations from GAAP permitted by State law the reported deficits for the 1976 and 1977 fiscal years would have been approximately $1.870 billion and $1.039 billion, respectively. The financial statements for those two years, however, are unaudited and may contain substantial errors as well as other deviations from GAAP.

The City subsequently completed five consecutive fiscal years (1981 through 1985) with a General Fund surplus when reported in accordance with GAAP. In achieving the surplus in the 1981 fiscal year, the City balanced its budget in a manner consistent with GAAP one year earlier than required under State and Federal law, in contrast with earlier operating deficits when reported in accordance with GAAP. These developments have been due in large part to the continued strength of the City's economy, the effects of inflation on economically sensitive taxes and expenditure restraints by the City. Since the 1978 fiscal year, as required by the Emergency Act, the City's annual financial statements, prepared in conformity with GAAP, have been audited by independent certified public accountants.

Pursuant to the Emergency Act, the City is required to submit by May 12 of each year for review and approval by the Control Board a financial plan for the next four fiscal years, covering the City and certain agencies subject to the provisions of the Emergency Act (the "Covered Organizations"). The four year financial plan must be reviewed quarterly and may be modified from time to time during the fiscal year upon request of the City and approval of the Control Board. The Emergency Act requires that the City achieve a budget balanced in accordance with GAAP for fiscal years 1982 and thereafter, a requirement that the City has fulfilled for the 1981 through 1985 fiscal years.

In March 1981, the City reentered the long-term public credit markets with an issue of $75 million of its bonds. Subsequently, the City sold $250 million, $452 million, $775 million and $1.592 billion of its bonds in its 1982, 1983, 1984 and 1985 fiscal years, respectively. Public sales of City bonds in each of these fiscal years exceeded projections of the volume of bonds to be sold publicly by the City in the Debt Issuance Plan. The City has sold $1.150 million of its bonds to date in the 1986 fiscal year. In December 1985, Moody's Investors Service, Inc. raised the rating on City bonds to a Baal investment grade rating from Baa, which had been assigned in November 1983. In July 1985, Standard & Poor's Corporation raised the investment grade rating on City bonds to a BBB+ from BBB, which had been assigned in March 1981. Since 1979, the City has been able to obtain an increasing portion of its seasonal financing needs through the sale of short-term notes to the
public, and in the 1981 through 1985 fiscal years, the City obtained all of its seasonal financing requirements in that manner. The City has sold $900 million of notes in its 1986 fiscal year. In addition, the New York City Municipal Water Finance Authority, authorized to issue revenue bonds to finance the City's water and sewer projects, has sold $400 million of bonds to date in fiscal 1986.

**Fiscal Years 1986-1989**

As required by the City Charter, the Mayor submitted the Executive Capital and Expense Budget for the City's 1986 fiscal year (the "1986 Executive Budget") to the City Council and Board of Estimate on May 3, 1985. As required by State law, the 1986 Executive Budget was prepared and balanced in accordance with GAAP. On June 13, 1985, the City Council and Board of Estimate adopted a budget for the City's 1986 fiscal year (the "1986 City Budget"). The 1986 City Budget projects revenues and expenditures of $20.013 billion.

On June 26, 1985, the Control Board approved the four-year financial plan covering the City's 1986 through 1989 fiscal years which was subsequently modified with Control Board approval on July 3, 1985, July 24, 1985, December 12, 1985 and February 20, 1986 (the "1986-1989 Financial Plan"). The 1986-1989 Financial Plan projects operating results balanced in accordance with GAAP for the 1986 fiscal year, with revenues and expenditures of $20.419 billion. The 1986-1989 Financial Plan also projects potential budget gaps of $574 million in 1987, $1,149 million in 1988 and $1,018 million in 1989, before the implementation of gap-closing programs.

The latest modification by the City to the 1986-1989 Financial Plan, approved by the Control Board on February 20, 1986 (the "February Modification"), provides a detailed gap-closing program for the 1987 fiscal year. City gap-closing actions for fiscal 1987 include proposed increases in the real property gains tax and expansion of the mortgage and conveyance tax to include cooperative apartments, which increases and expansion would require approval by the State Legislature and productivity and management improvements. The City, in the February Modification, assumes the receipt of an additional $200 million in State aid for each of the 1987 through 1989 fiscal years above such aid projected to be received in the preceding fiscal year and $100 million resulting from proposed reductions in the Corporation's debt service requirements in each of the 1987 through 1989 fiscal years.

The 1986 City Budget and the 1986-1989 Financial Plan are based on numerous assumptions and are subject to various contingencies and uncertainties relating to, among other factors, the strength of the local economy, the amount of State and Federal aid to be received by the City and the cost of labor settlements with City employees. Although the City has closed substantial gaps in prior fiscal years and has maintained balanced budgets in recent years, there can be no assurance that the City will continue to maintain a balanced budget without additional State and Federal aid, revenue increases or expenditure reductions.

The 1986-1989 Financial Plan provides for increases in wage and fringe benefits costs for non-uniformed employees of 6.3% for fiscal 1986 and 6.0% for fiscal 1987, and for uniformed employees of 6.4% for fiscal 1986 and 6.2% for fiscal 1987, corresponding to actual collective bargaining agreements covering the 1986 and 1987 fiscal years. For each of the 1988 and 1989 fiscal years, the 1986-1989 Financial Plan assumes a 2% increase in wage and benefits costs for all employees. The City estimates that each additional 1% increase in the wage assumption would result in additional expenditures of $88 million in the first year of the increase and $109 million, including pension costs, in each year thereafter.

On February 20, 1986, OSDC issued a report on the 1986-1989 Financial Plan analyzing the February Modification. OSDC projects a GAAP-balanced budget for fiscal 1986 and budget gaps of $495 million, $1.083 billion and $927 million in the 1987 through 1989 fiscal years, respectively, before implementation of the City's proposed gap-closing measures. OSDC cites as major concerns continuing reductions in Federal aid, most notably those associated with the planned elimination of general revenue sharing and Gramm-Rudman and the effect of stabilizing tax revenues on an increasing workforce. The report also expresses concern that certain elements of the City's gap-closing program are not within the City's control and may not be forthcoming at the time or in the amounts projected.
The staff of the Control Board issued a report on February 20, 1986 in connection with the Control Board’s approval of the February Modification. The report projects a GAAP-balanced budget for the 1986 fiscal year and the potential for a gap in the 1987 fiscal year of $119 million, following implementation of the gap-closing program set forth in the February Modification. The report cites concern that the loss of additional Federal aid may exceed the City’s reserves for such contingency, that revenue collections, particularly those related to economically sensitive taxes, may not be sufficient to cover planned increases in service levels, and that beginning in the 1988 fiscal year collective bargaining agreements may exceed the 2% wage increase projected by the City.

Gramm-Rudman, enacted on December 12, 1985, requires automatic spending reductions in all non-exempted Federal programs if annual Federal budget deficit targets are exceeded. The General Accounting Office (the “GAO”), in a report issued to the President of the United States dated February 1, 1986 pursuant to the new statute, required Federal spending reductions in the amount of approximately $11.7 billion for the 1986 Federal fiscal year. On February 7, 1986, a special three judge United States District Court invalidated the resulting sequestration order of the President made pursuant to the GAO Report. The effect of such decision has been stayed pending an appeal to the United States Supreme Court with the result that such reductions have been implemented.

The City estimates that the Federal appropriation reductions, Gramm-Rudman reductions, Federal administrative actions and the Consolidated Omnibus Budget Reconciliation Act (COBRA) reductions for the 1986 Federal fiscal year will result in a loss of approximately $497 million in Federal aid to the City and its residents during the City’s 1986 and 1987 fiscal years and will increase City expenditures by approximately $200 million during the City’s 1986 and 1987 fiscal years.

On February 5, 1986, the President of the United States submitted to Congress the proposed 1987 Federal Budget. Like the budget proposed for fiscal year 1986, the budget proposed for fiscal year 1987, which would reduce non-defense related domestic spending by approximately $21 billion from fiscal 1986 appropriations, includes many reductions that Congress has previously rejected. The City estimates that the President’s reductions would result in an additional loss of $756 million in Federal aid to the City and its residents in the City’s 1987 fiscal year and that, if such proposed 1987 Federal Budget is enacted, the City would be required by Federal mandate to spend an additional $299 million in its 1987 fiscal year to compensate for reduced Federal funding, primarily for mandated entitlement programs and those programs currently supported by General Revenue Sharing and the Community Development Block Grant.

On March 19, 1986, the Senate Budget Committee reported a budget resolution (Domenici-Chiles) which would meet the target specified by Gramm-Rudman for the 1987 Federal fiscal year but would fund General Revenue Sharing at $1.8 billion in the 1987 Federal fiscal year contingent upon passage of a reauthorization bill and a revenue increase to be identified at a later date. The City estimates that the Senate Budget Committee proposal would result in an additional loss of $101 million in Federal aid to the City and its residents in the City’s 1987 fiscal year and would require the City to spend an additional $98 million to compensate for reduced Federal funding, particularly in General Revenue Sharing. The House Budget Committee has not yet reported a budget resolution. On May 2, 1986, the full Senate adopted its first concurrent Budget Resolution which is based on the Senate Budget Committee Resolution with some modifications. The adopted Resolution makes no changes in the treatment of General Revenue Sharing.

If Congress and the President do not agree on legislation to reduce the deficit to $144 billion for the 1987 Federal fiscal year, Gramm-Rudman would require automatic spending reductions in all non-exempted Federal programs to meet this deficit target. It is not possible to predict the outcome of the ongoing Federal budget process and therefore not possible to project with certainty the impact of the 1987 Federal Budget and Gramm-Rudman on the amounts of Federal aid to the City or any additional amounts which the City would be required to spend in its 1987 fiscal year.

The Mayor submitted the Executive Capital and Expense Budgets for the City’s 1987 fiscal year to the City Council and Board of Estimate on May 5, 1986. The 1987 Executive Expense Budget (the “1987 Expense Budget”) was prepared and balanced in accordance with GAAP. The 1987 Expense Budget projects revenues and expenditures of $21.489 billion, which constitutes an increase of $948 million over revenues and
expenditures projected for fiscal 1986. In order to achieve a balanced budget, the 1987 Expense Budget proposes to reduce expenditures through certain productivity savings and reductions in nonessential services, and to enhance revenues by, among other things, increasing the real property gains tax rate by 2.5% and extending the conveyance and mortgage recording taxes currently imposed on the sale of private homes and condominiums to shares in cooperative apartments. All proposed tax initiatives are subject to the approval of the State Legislature. In the event additional taxes are not authorized by the State Legislature, the Mayor favors an increase in the real property tax to compensate for the loss of this revenue. The level of real property tax in the City is controlled by the City Council and does not require State legislative action. The 1987 Expense Budget also assumes a 1.5% increase in wage and benefit costs over current levels for fiscal year 1988 and each fiscal year thereafter. Labor settlements covering fiscal years 1986 and 1987 included wage and benefit increases ranging from 6.0% to 6.4%. The City Council and Board of Estimate are required by law to adopt a GAAP-balanced budget for the 1987 fiscal year on or before June 11, 1986.

The City is required by law to submit a four-year financial plan covering fiscal years 1987-1990 to the Control Board on or before May 12, 1986. Such plan is expected to project a GAAP-balanced budget for fiscal 1987 in accordance with the 1987 Expense Budget and substantial budget gaps for the 1988 through 1990 fiscal years, for which the City is expected to propose gap-closing programs. Such plan is subject to the approval of the Control Board which may require revisions thereto prior to approval.

City Litigation

The notes to the City's audited financial statements for the 1985 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, 1985, claims in excess of $86 billion were outstanding against the City for which the City estimated its potential future liability to be $2.1 billion. The 1986-1989 Financial Plan includes a provision for judgments and claims, other than the real estate tax certiorari proceedings described below, in the amount of $162 million, $209 million, $240 million and $270 million for the 1986 through 1989 fiscal years.

Numerous real estate tax certiorari proceedings alleging overvaluation, inequality and illegality are presently pending against the City. In response to these actions, State legislation was enacted in December 1981 which, among other things, authorizes the City to assess real property according to four classes and makes certain evidentiary changes in real estate tax certiorari proceedings. Based on the settlement activity of the past four fiscal years and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding certiorari proceedings to be $200 million at June 30, 1985. This figure is exclusive of potential exposure which could amount to approximately $1 billion resulting from claims for refunds brought by utilities owning special franchise property in the City which the City has considered in its $2.1 billion estimate of potential future liability described above.

Consolidated Edison Company of New York, Inc. ("Con Edison") has commenced numerous proceedings in the State Supreme Court, Albany County, against, variously, the City, the State Board of Equalization and Assessment ("SBEA") and others. Con Edison's petitions request that the assessments of its franchise properties in the City for real property taxation for the 1975-1986 fiscal years be declared and determined to be erroneous on grounds of alleged illegality, inequality and overvaluation to the extent of as much as 54% to 62%. The petitions request a review of the assessments and a correction of the alleged errors. In its answers, the City has denied all material allegations and all liability. In January 1978, the Appellate Division, Third Department ("Third Department"), affirmed a lower court's dismissal of the illegality claim for the 1975 and 1976 fiscal years. On June 2, 1981, the New York State Court of Appeals (the "Court of Appeals") affirmed another lower court holding that the owner of a special franchise could contest its assessment on the basis of inequality. On July 22, 1982, legislation was enacted which limits evidence of rate in a special franchise proceeding instituted after 1974 to the equalization rate used by SBEA in fixing the assessment. On September 24, 1983, the State Supreme Court, Albany County, upheld the constitutionality of such legislation and dismissed the inequality claims in their entirety for all years. This decision was affirmed by the Third Department, and on March 18, 1986, by the Court of Appeals. The validity of this legislation is being challenged by Con Edison in another proceeding pending in the Third
Department. In addition, the New York Telephone Company has filed petitions requesting reductions in the assessment of its special franchise properties in the City for the 1979-1986 fiscal years, and the Brooklyn Union Gas Company ("Brooklyn Union Gas") has also filed petitions seeking similar relief for the 1975-1986 fiscal years. Brooklyn Union Gas' claims for the 1975 through 1979 fiscal years were dismissed by the State Supreme Court, Albany County, and are now on appeal to the Third Department. The claim for the 1981 fiscal year was dismissed by the Court of Appeals and the petition of Brooklyn Union Gas for review on this claim has been denied by the United States Supreme Court. Adverse decisions in these proceedings could result in refunds to utilities owning special franchise property in the City of approximately $1 billion.

On April 13, 1984, Brooklyn Union Gas commenced a proceeding in State Supreme Court, New York County, to review two final determinations of the New York City Commissioner of Finance (the "Commissioner") which denied refund of the New York City utility tax in the approximate amount of $23.4 million, exclusive of interest. In its petition, Brooklyn Union Gas claimed that the City was authorized to impose the tax at the rate of only 1% of gross income instead of 2.35% of gross income. The proceeding was transferred to the Appellate Division, First Department (the "First Department"). On April 16, 1985, the First Department granted Brooklyn Union Gas' petition, annulled the determination of the Commissioner and remanded the matter to the Commissioner for the purpose of determining whether all or any portion of the claimed refund is barred by reason of Brooklyn Union Gas' failure to make its claim for refunds within the time permitted by law. Both the City and Brooklyn Union Gas have been granted leave to appeal to the Court of Appeals. If Brooklyn Union Gas were ultimately to prevail, those utilities which have paid the tax at the rate of 2.35% could become entitled to refunds ranging in total amount from approximately $118 million to $500 million, depending upon the applicable statute of limitations and whether or not interest would be payable upon any such refunds and the rate of such interest (all of which is in dispute). In August 1985, legislation to eliminate any revenue loss that might result from the litigation was enacted confirming the authority of the City to impose the tax at the rate of 2.35% of gross income. This legislation is retroactive for a period of six years and provides for alternative shorter periods of retroactivity should the six year period be found to be unconstitutional. Plaintiff has challenged the constitutionality of this legislation in the Court of Appeals. The State has been joined as a party to these proceedings and has submitted a brief in support of the City's position.

On January 24, 1986, Bankers Trust New York Corporation ("Bankers Trust") perfected an appeal to the First Department challenging a final determination of the Commissioner which denied refund of the City's financial corporation tax in the approximate amount of $2 million for the 1977 tax year and rejected Bankers Trust's argument that such tax as applied to income from Federal obligations was not permissible under Federal law. The appeal is expected to be argued in May 1986. If Bankers Trust were ultimately to prevail on its claim and the decision were held applicable to other financial corporations, revenues from the financial corporation tax could be reduced and the City could become liable for substantial refunds.

On August 1, 1975, Women in City Government United, representing all retired and active female employees of the City and certain Covered Organizations, commenced a class action in the United States District Court for the Southern District of New York (the "Southern District") against the City, the New York City Employees' Retirement System ("NYCERS") and its officers and trustees and others. Plaintiffs alleged that certain retirement plans discriminate against female employees in violation of the United States Constitution and certain Federal statutes and regulations. The complaint seeks injunctive relief and a declaratory judgment that the alleged discriminatory practices are illegal and unconstitutional. On April 24, 1981, the Southern District granted plaintiffs' motion for summary judgment in regard to liability on their Federal statutory claim, but deferred judgment, pending a trial, as to the appropriate relief to be granted. On December 21, 1982, the Southern District granted plaintiffs leave to amend the complaint to include claims under the Federal Equal Pay Act and the State Human Rights Law. On December 14, 1984, the NYCERS Board of Trustees (the "NYCERS Board") adopted a resolution (the "Resolution") to revise its mortality tables to achieve gender neutrality and to reflect modern mortality experience. The effective date of the Resolution was conditioned on the enactment of legislation that revised the interest assumption used in determining certain retirement and death benefits of members who retire on or after August 1, 1983. Such legislation was enacted on August 19, 1985. On February 8, 1985, the parties entered into a consent decree.
(the "Consent Decree") settling all claims (including claims under the Federal Equal Pay Act and the State Human Rights Law) of class members who retired on or after August 1, 1983. The Consent Decree provides for the equalization of contribution rates effective April 25, 1978, refunds of certain contributions made by such class members and equalization and revision of benefits receivable by all such class members by April 1, 1985. In order to become final, the Consent Decree must be approved by the Southern District after a hearing. The Consent Decree was preliminarily approved by the Southern District on November 13, 1985, and a hearing was held on March 19, 1986. The Chief Actuary has estimated that the changes contemplated by the Consent Decree and the Resolution may increase the liability of the City's five actuarially funded pension systems by as much as $745 million (when the present value of such liability is determined on an actuarial basis at 8% per annum). This increased liability will be amortized over the expected future working lives of affected pension system members. Funds covering the estimated cost of achieving mortality table modernization and gender neutrality for the City's five actuarially funded pension systems have been provided in the 1986-1989 Financial Plan. In the event the Consent Decree is not finally approved by the Court in whole or in part, the non-settled portion of the action would continue and could result in a further increase in the liability of the systems. Should the Consent Decree become finally effective, there will remain certain other prospective issues which the Chief Actuary has estimated could result in additional liability not exceeding $288 million if such issues were determined adversely to the City. In addition, if past benefit levels were required to be increased to the levels of the advantaged sex, an additional cost not exceeding $29.8 million would be required for each year such levels were made retroactive. An adverse decision based on the Equal Pay Act may increase the estimated cost of such retroactive relief. On July 6, 1983, the United States Supreme Court held that an employer-sponsored pension plan must provide equal benefits to male and female workers (Arizona v. Norris). The Court also held that such equalization should be implemented solely for service accruing after August 1, 1983. The City believes that the holdings of the Norris case are applicable to pending litigation and could substantially reduce the City's estimated liabilities of $288 million and $29.8 million set forth above.

On June 7, 1982, the City filed an amended claim in the State Court of Claims seeking $225 million from the State as payment for condemnation of land to be used for the construction of an interstate highway on the west side of Manhattan ("Westway"). The State has agreed that it is liable to pay the value of the condemned property but has not agreed on the amount. To date the State has paid the City approximately $96.3 million as partial payment for the condemned property. On September 11, 1985, the United States Court of Appeals for the Second Circuit upheld the decision of the Southern District voiding a permit issued by the United States Army Corps of Engineers to construct Westway. On the same day the House of Representatives voted to block Federal funding for the landfill for Westway. The State and the City have decided to trade in Westway funds for alternative highway and mass transit projects. The effect of these developments on the City's condemnation claim cannot be determined at this time.

On August 23, 1985, Jo & Wo Realty Corporation commenced a suit in the State Supreme Court, New York County, against the City, the MTA, the TBTA and other parties seeking to enjoin the proposed sale of the New York Coliseum site (the "Coliseum"), based, among other things, on the City's failure to submit the proposed sale of the Coliseum to competitive bidding pursuant to the City Charter. On January 28, 1986, the State Supreme Court, New York County, granted defendants' motion to dismiss on the grounds that the lawsuit was premature because no binding contract had been agreed to. On April 22, 1986, the First Department affirmed the decision below. The City's 1986-1989 Financial Plan includes the receipt in the 1987 fiscal year of $240 million from the anticipated sale of the Coliseum.

On April 8, 1986, St. Bartholomew's Church ("St. Bartholomew's") commenced an action in the Southern District against the City and the City's Landmarks Preservation Commission (the "Commission") in connection with the Commission's decision not to permit St. Bartholomew's, which had earlier been designated as a landmark by the Commission, to demolish and reconstruct a portion of its property. Plaintiff alleges, among other things, that the law governing the Commission's decision and the application of the law to St. Bartholomew's violate the First Amendment of the United States Constitution in that they interfere with the free exercise of religion and that it has been subjected to a taking without compensation in violation
of the Fifth Amendment of the United States Constitution. Plaintiff seeks, among other things, declaratory
and injunctive relief and damages in the amount of $110 million.

In addition, there is a lawsuit pending against the Board of Education of the City alleging
discrimination in the provision of educational services which, if successful, could result in the withholding of substantial
amounts of Federal aid for the City school system. Actions have also been commenced by State and Federal
environmental agencies to enforce certain provisions of State and Federal environmental laws which, if
successful, could result in the imposition of substantial penalties and costs of compliance on the City and one
or more of its Covered Organizations.

Covered Organization Litigation

On May 10, 1984, the City, the New York City Transit Authority, the Manhattan and Bronx Surface
Transit Operating Authority and the Port Authority of New York and New Jersey instituted a lawsuit
against Grumman Corporation and its affiliates ("Grumman") seeking compensatory and punitive damages
in an amount of approximately $320 million in connection with Grumman's sale and repair of certain transit
buses. On December 3, 1984, Grumman asserted counterclaims in varying amounts against the respective
plaintiffs; the aggregate of such counterclaims, as alleged by Grumman, is in the approximate range of $500
million to a maximum of $1.1 billion. All claims alleged by the parties are currently pending in the State
Supreme Court, New York County.

Five actions have been filed since April 15, 1986 by various parties against the New York City Housing
Development Corporation ("HDC"), two in the United States District Court for the Northern District of
Illinois, one in the United States District Court for the Southern District of New York, one in the State
Supreme Court, New York County, and one in the United States District Court for the Eastern District of
New York. These actions allege that HDC's plan to redeem more than $160 million of bonds issued by HDC
in 1982 either violates Federal securities laws or is not permissible under the terms of HDC's bond
resolutions or both. These actions seek declaratory judgments, injunctive relief and monetary damages. On
May 1, 1986, a request for injunctive relief was denied by the United States District Court for the Northern
District of Illinois. HDC has not yet filed an answer in any of these cases. HDC redeemed such bonds on
May 1, 1986.

Federal Bankruptcy Legislation

The City expects to meet its cash needs on an ongoing basis under the four year financial plans prepared
in accordance with provisions of State law. However, if the City's cash resources are insufficient to meet its
obligations, Federal and State statutes provide for certain remedies under Chapter 9 of the Federal
Bankruptcy Code.

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 debt 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 has been obtained.

Although the filing of such petition might have a general adverse effect on the economic health of the
City, the Corporation believes that such a filing would not have a material adverse effect on the Corporation's
ability to repay its obligations, including the Series 58 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
Corporation's securities.

PART 10—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.

37
The Corporation

The Act authorizes the Corporation to purchase obligations of the City to finance portions of the City's capital program. At the time of payment to the City, 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 payment 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, which the City has, to date, complied with, may be briefly summarized as follows:

(i) The City has adopted as its method of accounting the accounting principles permitted by State law. The City's audited financial statements provided to the Corporation for the City's 1978 through 1985 fiscal years 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 accounting principles permitted by State law for fiscal years through 1981.

(ii) The Act 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 is required 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 to determine whether the City is adhering to an operating budget in which revenues equal or exceed expenditures under the accounting principles permitted by State law.

(iii) The Act sets forth limitations for the issuance by the City of its short-term notes. The Corporation is required to police these limitations by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates these limitations and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation anticipates that these limitations will not prevent the City from issuing any short-term obligations to meet its seasonal financing needs.

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 State law, 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 the Comptroller of the State, the Mayor and the Comptroller of the City and three appointees of the Governor, Donald B. Kummerfeld, Heather L. Ruth and Stanley S. Shuman. Comer S. Coppie is the Executive Director of the Control Board. The Office of the Special Deputy State Comptroller assists the Control Board and the Corporation in carrying out their functions. Elinor B. Bachrach is Special Deputy State Comptroller.

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 of City bonds, (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 debt service on 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 has occurred. No Control Period may extend beyond the earlier of (i) July 1, 2008 or (ii) the date when no notes or bonds containing the 1978 State Covenant remain outstanding and there is no longer effective or outstanding any Federal guarantee.

During a Control Period, the four year financial plans for the City and the Covered Organizations, including modifications thereof, are subject to review and approval by the Control Board. In addition, the Control Board must formulate and adopt 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 into the operating budgets the requirements of any changes in GAAP 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 modifications 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 results of the City's operations 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 system of monthly expenditure projections and quarterly allocations for each 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 the City general 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 and certain obligations of the City and the Covered Organizations, and, in coordination with the Corporation, the approval of long-term or short-term borrowing by the City or any Covered Organization.

Federal guarantees of the City's Federally guaranteed bonds will terminate upon repayment, refunding or the sale by the original purchasers of all such outstanding bonds. To date, the City has provided for the refunding of all but $1 million of its Federally guaranteed bonds. The balance of the bonds is due to be paid by August 15, 1986. Upon the termination of all Federal guarantees of obligations of the City, the Control Period will terminate upon a determination by the Control Board that the City has maintained a balanced budget in accordance with GAAP for each of the three immediately preceding fiscal years and a certification by the State and City Comptrollers that the City has been able to satisfy its capital and seasonal financing requirements in the public credit markets and is expected to satisfy such requirements in the future. Once the Control Period is terminated, certain Control Board powers are suspended including, among others, its power to approve or disapprove certain contracts, long-term and short-term borrowings, and the four-year financial plan of the City and the Covered Organizations. After the termination of the Control Period but prior to the statutory expiration date of the Financial Emergency Act on July 1, 2008, the City will still be
required to develop a four-year financial plan each year and to modify the plan as changing circumstances require. During this period, the Control Board will also continue to have certain review powers and must reimpose the Control Period upon the occurrence or substantial likelihood of the occurrence of certain enumerated events.

Also upon the termination of all Federal guarantees of City bonds under existing State law enacted in 1975, the City's authority to collect certain taxes will expire. Those taxes include surcharges on the general corporation and financial corporation taxes and the minimum personal income tax, with current annual revenues of approximately $450 million. The City intends to seek changes in State law that would permit continuation of these taxes after the termination of all Federal guarantees of City bonds.

PART 11—AGREEMENT OF THE STATE OF NEW YORK

In the legislation which established the Corporation in 1975, the State pledged to and agreed with the holders of the Corporation's 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. The Corporation has included such pledge in the Second General Bond Resolution.

In addition, pursuant to legislation enacted in 1978, the City is authorized and the Corporation is required to include the 1978 State Covenant in any agreement with holders or guarantors of their 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 so 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 reissue 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 12—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</td>
<td>December 31, 1987</td>
</tr>
<tr>
<td>Edward M. Kresky, Vice Chairman</td>
<td>December 31, 1985</td>
</tr>
<tr>
<td>Kenneth J. Bialkin(1)(2)(3)</td>
<td>December 31, 1982</td>
</tr>
<tr>
<td>George M. Brooker(2)(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>Eugene J. Kelin(2)</td>
<td>December 31, 1982</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td>December 31, 1987</td>
</tr>
<tr>
<td>Andrew P. Steffan(1)(2)(3)</td>
<td>December 31, 1984</td>
</tr>
<tr>
<td>Robert C. Weaver(2)</td>
<td>December 31, 1984</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Representatives(4)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jerome Belson</td>
<td>Appointed by the Vice-Chairman of the City Council</td>
</tr>
<tr>
<td>William J. Corbett</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>Richard D. Parsons</td>
<td>Appointed by the President Pro-Tem of the State Senate</td>
</tr>
<tr>
<td>Carl H. Pforzheimer III</td>
<td>Designated representative of the State Comptroller</td>
</tr>
<tr>
<td>Robert W. Seavey</td>
<td>Appointed by the Minority Leader of the State Senate</td>
</tr>
</tbody>
</table>

(1) Wertheim & Co., Inc., Smith Barney, Harris Upham & Co. Incorporated, and Shearson Lehman Brothers Inc., with which Messrs. Kresky, Steffan and Bialkin, respectively, are affiliated as described in their biographies, may act as underwriters in connection with the sale of the Series 58 Bonds.

(2) Continuing to serve until reappointed or until successor appointed and qualified.

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

(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. The position of Representative of the City Board of Estimate is currently vacant.

**FELIX G. ROHATYN, Chairman.** Mr. Rohatyn is a General Partner of Lazard Freres & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Schlumberger, Ltd., Owens-Illinois, Inc., Pfizer Inc., Pechiney Corporation, MCA Corporation, American Motors Corporation, and Minerals and Resources Corp., Ltd. Mr. Rohatyn is a resident of New York City.

**EDWARD M. KRESKY, Vice-Chairman.** Mr. Kresky, Chairman of the Corporation's Investment Committee, is a Senior Advisor to Wertheim & Co., investment bankers. 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 Dime Capital Corporation, and is the Vice-Chairman of the New York State Council on the Arts. Mr. Kresky served the Corporation as a Representative from June 1975 to January 1979. Mr. Kresky is a resident of New York City.

**FRANCIS J. BARRY.** Mr. Barry is Chairman of the Board of Circle Line-Sightseeing Yachts, Inc. and other of its affiliated companies. Since 1967, 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 Board of Directors of the New York Convention Center Operating Corporation. He is a director and a member of the Executive Committee of the New York
Convention and Visitors Bureau. He is a former member of the Control Board. Mr. Barry is a resident of New York City.

KENNETH J. BIALKIN. Mr. Bialkin is a member of the law firm of Willkie Farr & Gallagher, New York, New York, and is an Adjunct Professor of Law at New York University School of Law. He is a past Chairman of the Section of Corporation, Banking and Business Law of the American Bar Association, and is a former Chairman of the Committee on Federal Regulation of Securities of that Section. He is also a Vice President and a former Chairman of the Committee on Securities and Exchanges of the New York County Lawyers’ Association. He is a director of Shearson Lehman Brothers Inc., Gulf Resources and Chemical Corporation and E. M. Warburg, Pincus & Co., Inc. He is also National Chairman of the Anti-Defamation League of B’nai B’rith and Chairman of the Conference of Presidents of Major American Jewish Organizations. Mr. Bialkin is a resident of New York City.

GEORGE M. BROOKER. Mr. Brookner is a principal stockholder and President of Webb & Brooker, Inc., a real estate management and brokerage firm. He is past President of the New York Chapter of the Institute of Real Estate Management. He is a director and Vice President of the New York Building Congress. He is a governor of the Real Estate Board of New York and the Realty Advisory Board of New York. He is a trustee of the Educational Broadcasting Corp. (WNET/Channel 13). He is a director of the National Center Housing Management of Washington, D.C. and a director of the Realty Foundation of New York. Mr. Brookner is a resident of New Rochelle, New York.

EUGENE J. KEILIN. Mr. Keilin, Chairman of the Corporation’s Finance Committee, is a General Partner of Lazard Freres & Co., investment bankers, and was Executive Director of the Corporation from October 1976 to January 1979. 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. He is a Director of the Weirton Steel Corporation, a Trustee of the Citizens Budget Commission and Chairman of the New York State Industrial Cooperation Council. Mr. Keilin is a resident of New York City.

DICK NETZER. Dr. Netzer, Chairman of the Corporation’s City Budget Committee, has been Director of New York University’s Urban Research Center since September 1981 and was Dean of the University’s Graduate School of Public Administration from 1969 through 1982. He is a former member of the Municipal Securities Rulemaking Board. 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 editor of the quarterly New York Affairs and a member of numerous editorial and research advisory boards. Dr. Netzer is a resident of New York City.

ANDREW P. STEFFAN. Mr. Steffan, Chairman of the Corporation’s Audit Committee, is a First Vice President of Smith Barney, Harris Upham & Co. Incorporated. From 1972 until 1976, he was on the staff of the Securities and Exchange Commission and became the Agency’s first Director of Economic and Policy Research. Mr. Steffan is a resident of New York City.

ROBERT C. WEAVER. Dr. Weaver, Chairman of the Corporation’s Administration Committee, was Distinguished Professor of Urban Affairs at Hunter College from 1971 to 1978. He is now Distinguished Professor Emeritus. 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 former member of the Board of Trustees 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 is a resident of New York City.

JEROME BELSON, Representative. Mr. Belson is President and Chief Executive Officer of Jerome Belson Associates, Inc., a real estate management firm. He is Chairman of the Board of Waterhouse Securities, Inc. He is President of Protective Energy Programs, Inc., a public company. He is President of Associated Builders and Owners of Greater New York, Inc. He serves as Chairman of the Federation of Alumni Associations of St. John’s University. Mr. Belson is a resident of New York City.
WILLIAM J. CORBETT, Representative. Mr. Corbett is Vice President-Communications for the American Institute of Certified Public Accountants. Previously, until October 1984, he was Director of Corporate Public Relations for Avon Products, Inc. He is a member of the Board of Directors and Membership Chairman of the International Public Relations Association, and a member of the National Investor Relations Institute, and of the Public Relations Advisory Committee and the Sports Advisory Committee of the United States Information Agency. He is also a member of the Board of Directors of the Forum for Corporate Social Responsibility and The Public Relations Society: New York. Mr. Corbett is a resident of Floral Park, 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, established his own management consulting firm, Leonard Nadel Associates Inc., in New York City in April 1978. In July 1980, Mr. Nadel joined Beldoch Industries Corporation, an apparel manufacturer, where he presently serves as an Executive Vice President. He is former Chairman and current member of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish Medical Center and a Trustee of the Richmond Hill Savings Bank. He is a past president of the Brooklyn Chamber of Commerce. Mr. Nadel is a resident of Roslyn, New York.

RICHARD D. PARSONS, Representative. Mr. Parsons is a member of the law firm of Patterson, Belknap, Webb & Tyler. He has been with the Patterson firm since 1977. From 1971 through 1974, Mr. Parsons served as an Assistant and First Assistant Counsel to former Governor Rockefeller. In 1975, he became Deputy Counsel to then Vice President Rockefeller and, later that year, was appointed to the White House staff as Counsel to the Domestic Council. He also serves as an observer to the Financial Control Board. Mr. Parsons is a resident of Pocantico Hills, New York.

CARL H. PFORZHEIMER III, Representative. Mr. Pforzheimer is Managing Partner of Carl H. Pforzheimer & Co., an investment banking firm. He is a director of the Visiting Nurse Service of New York, former Chairman and current member of the Board of Trustees of Horace Mann-Barnard School, past President of the Scarsdale Union Free School District and a member of the Board of Trustees of Pace University and the Hoff-Barthelson Music School. He is also a member of the New York Zoological Society and the Citizens Forum on Self-Government of the National Municipal League, Inc. Mr. Pforzheimer is a resident of Scarsdale, New York.

ROBERT W. SEAVEY, Representative. Mr. Seavey is Chairman of the Battery Park City Authority. He is counsel to the law firm of Seavey, Fingerit, Vogel, Oziel & Skoller, New York, New York, a director and a member of the Executive Committee of the Citizens Housing and Planning Council of New York, a member of the Committee on Housing and Urban Development of the Association of the Bar of The City of New York, and an Adjunct Professor of Law at Brooklyn Law School. Mr. Seavey is a resident of New York City.

PART 13—LITIGATION

The Corporation is not party to any litigation. Various actions between 1975 and 1979 challenging the constitutionality of the imposition and appropriation of the Sales Tax and Stock Transfer Tax to the Corporation have all been dismissed with the State's highest court affirming the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations. The United States Supreme Court dismissed an appeal from the State court ruling for lack of a substantial Federal question.

PART 14—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

The following is a summary of certain provisions of the Second General Bond Resolution. The summary is not 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." Section references, unless otherwise indicated, are to the Resolution.

Certain Defined Terms

"Bonds" means all bonds issued pursuant to the Second General Bond Resolution.

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

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

"Capital Reserve Fund Requirement" means, 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 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" means the General Bond Resolution dated July 2, 1975, as heretofore and hereafter supplemented in accordance with the terms thereof.

"Fiscal Year" means any twelve consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

"Operating Expenses" means the Corporation's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and includes administrative expenses, legal, accounting and consultants' services and expenses, payments to pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, or the Resolution or the First General Bond Resolution or otherwise.

"Operating Fund" means the fund by the name established by Section 604 of the First General Bond Resolution.

"Outstanding" means, 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, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust, (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 defeased.

"Paying Agent" for the Bonds of any Series means the bank or trust company and its successor or successors, appointed pursuant to 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 is 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" means, 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.

"Resolution" means 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” means all payments to the Corporation pursuant to Section 3036 and 3036-a of the Act except any payments to the Operating Fund.

“Serial Bonds” means the Bonds so designated in a Series Resolution.

“Series of Bonds” or “Bonds of a Series” or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

“Series Resolution” means 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” means 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 the relevant Series Resolution, to be paid at all events by the Corporation on a single future July 1 for the retirement of any Outstanding Bonds of that Series which mature after such July 1, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

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

“State” means the State of New York.

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

“Stock Transfer Tax” means 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” means a resolution supplemental to or amendatory of the Resolution, adopted by the Corporation in accordance with Article X of the Resolution.

“Term Bonds” means the bonds so designated in a Series Resolution and payable from Sinking Fund Installments.

“Trustee” means 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.

(Resolution, Section 101)

The Pledge Effectted by the Resolution

The proceeds of the sale of the Bonds, the Revenues and all Funds established by the Resolution (except for the Operating Fund) are pledged to the payment of the Bonds. The pledge created by the Resolution is subordinate to the pledge of the revenues, moneys and securities and funds pledged under the First General Bond Resolution.

(Resolution, Section 601)

Establishment of Funds

The Resolution establishes the Bond Service Fund and Capital Reserve Fund, both of which are held by the Trustee.

(Resolution, Section 602)
Application of Payments

If the amount of any payment received is less than the amount certified by the Chairman of the Corporation, 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. On or before the business day preceding each date of a required payment on any Bonds, the Trustee shall pay, from the Bond Service Fund, to itself and the Paying Agents, the amount required for such payment.

2. If the amount in the Bond Service Fund shall be less than the amounts required to be paid pursuant to paragraph 1 above, the Trustee shall withdraw from the Capital Reserve Fund such amount as will be sufficient to make such payment.

3. As soon as practicable after the 45th day preceding the date of any Sinking Fund Installment, the Trustee shall call for redemption the specified amount of Term Bonds to be retired by such Sinking Fund Installment.

4. The Corporation may, after July 2 in any year but not less than 45 days prior to the date on which a Sinking Fund Installment is 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. Term Bonds so purchased shall be credited against the Sinking Fund Installment due on such date.
(Resolution, Section 605)

Capital Reserve Fund

1. The Corporation shall deposit into the Capital Reserve Fund (i) all moneys paid to the Corporation pursuant to 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 as shall be prescribed by a Series Resolution; and (iii) any other moneys which may be made available to the Corporation for such purposes.

2. At any time after December 31, 1980, moneys and securities in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement, upon direction of the Corporation, may be deposited to the credit of the Bond Service Fund.

3. 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 a certificate stating the sum, if any, required to restore the Capital Reserve Fund to an amount equal to the Capital Reserve Fund Requirement.

4. Moneys and securities held in the Capital Reserve Fund may, and at the direction of the Corporation shall, be withdrawn therefrom 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 withdrawal, 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 maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement; (ii) the amounts required to be deposited in the Bond Service Fund to make all principal and interest payments on Bonds 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 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 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 covenanted to make the certifications referred to above 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 make principal and interest payments 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. 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.

(Resolution, Section 607)

Creation of Liens

The Corporation shall not issue any indebtedness, other than the Bonds secured by the Capital Reserve Fund, and shall not create any lien prior to the Bonds on the Bond Service Fund, provided, however, that nothing shall prevent the Corporation from issuing (i) indebtedness under a separate resolution if the lien created by such resolution is not prior or equal to the charge or lien created by the Resolution and (ii) obligations issued in accordance with the applicable provisions of the First General Bond Resolution.

(Resolution, Section 907)

General

The Corporation shall not amend the First General Bond Resolution in any manner which would have a material adverse effect on the Bondholders, provided, however, that nothing shall prevent the issuance of obligations upon the terms as provided in the First General Bond Resolution. No such obligations shall be issued if such issuance would cause the amounts available for debt service on the Bonds to be less than 1.2 times the maximum aggregate amount of debt service on the Bonds for each Fiscal Year of the Corporation.

(Resolution, Section 909)
Additional Obligations

The Corporation reserves the right to issue its obligations under a separate resolution so long as the same are not entitled to a prior or equal lien 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.
(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 of any Bond when due; 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 30 days; or

(c) the Corporation shall fail or refuse to comply with the provisions of the Act relating to the certification of its quarterly requirements, or the State Comptroller shall fail to pay to the Corporation any amount or amounts as shall be certified by the Chairman of the Corporation pursuant to such provisions of the Act; or

(d) the Corporation shall fail or refuse to comply with the provisions of the Act relating to the certification of the amount required to maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement, or the State shall fail to appropriate and pay to the Corporation any amount or amounts as shall be certified by the Chairman pursuant to such provisions of the Act; 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 45 days after written notice thereof by the holders of not less than 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 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 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 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 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 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 under any provision of the Resolution or a Series Resolution or of the 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.

(Resolution, Section 1203)

**Series Resolutions and Supplemental Resolutions**

The Corporation may adopt (without the consent of any Bondholders) a Series Resolution or Supplemental Resolution not inconsistent with the Resolution, to provide for the issuance of a Series of Bonds and specify the terms thereof; to add additional covenants and agreements for the purpose of further securing the payment of the Bonds; to prescribe further limitations and restrictions on the issuance of Bonds; to surrender any right, power, or privilege reserved to the Corporation; and, with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution.

(Resolution, Section 1001)

Any of the provisions of the Resolution may be amended by a Supplemental Resolution with the written consent of the holders of at least 662/3% in principal amount in each case of (a) all Bonds then Outstanding, and (b) if less than all the Series of Bonds then Outstanding are affected, the Bonds of each affected Series; excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specific Series and maturity, if such amendment by its terms will not take effect so long as any such Bonds remain Outstanding; provided that any such amendment shall not permit a change in the terms of redemption or maturity of the principal of or any installment of interest on any such Bond or make any reduction in principal, Redemption Price, or interest without the consent of the affected holder, or reduce the percentages of consents required for a further amendment.

(Resolution, Section 1101)
Amendments may be made in any respect with the written consent of the holders of all of the Bonds then Outstanding.
(Resolution, Section 1103)

**Investment of Funds**

The Corporation may direct the Trustee to invest moneys in the Bond Service Fund and the Capital Reserve Fund 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 obligation issued by certain Federal agencies, (c) 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, (d) interest-bearing time deposits, and (e) repurchase agreements covering obligations of issuers enumerated as aforesaid.

The Trustee shall not be liable or responsible for the making of any authorized investment made in the manner provided in the Resolution or for any loss resulting therefrom.
(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) 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 (b), the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish a notice to the effect and in accordance with the procedures provided in the Resolution. Neither direct obligations of the United States of America or moneys deposited with the Trustee 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.
(Resolution, Section 1401)

**PART 15—TRUSTEE**

United States Trust Company of New York (the "Trust Company") is the Trustee under the First and Second General Bond Resolutions. Its principal offices are located at 45 Wall Street, New York, New York 10005. 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 14—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 date 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 party to the Financing Agreement, owns $6.053 million of First Resolution obligations and $11.790 million of Second Resolution Bonds for its own account. The Trust Company has performed, and may in the future perform, certain banking services for the Corporation.

PART 16—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 17—TAX EXEMPTION

In the opinion of Bond Counsel, interest on the Series 58 Bonds is exempt from (i) Federal income taxes under the existing statutes, and (ii) personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 58 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for estate or gift taxes and taxes on transfers.

PART 18—PENDING FEDERAL TAX LEGISLATION

On December 17, 1985 the United States House of Representatives passed a bill (‘‘H.R. 3838’’) which contains provisions that would impose additional requirements as a condition to the exemption from Federal income taxation of interest on state and local governmental obligations issued after December 31, 1985, and which would add as a preference item to be included in calculating alternative minimum taxable income, interest on certain tax exempt obligations issued after December 31, 1985.

On March 14, 1986, a joint statement was issued by Representative Dan Rostenkowski, Chairman of the House Committee on Ways and Means, Senator Robert Packwood, Chairman of the Senate Committee on Finance, Representative John J. Duncan, Ranking Member of the House Committee on Ways and Means, Senator Russell Long, Ranking Member of the Senate Committee on Finance, and Secretary of the Treasury James A. Baker, III (the “Joint Statement’’). The Joint Statement endorses the postponement, until the earlier of September 1, 1986 or the date of enactment of tax reform legislation, of the effective date of certain
of the provisions of H.R. 3838 that could have a material adverse impact on the tax-exempt status of the Series 58 Bonds. In expending the proceeds of the Series 58 Bonds, the Corporation will comply with those provisions of H.R. 3838 for which the effective date was not postponed under the Joint Statement.

While bond counsel has rendered no opinion as to the compliance of the Series 58 Bonds with H.R. 3838 other than that contained by implication in the succeeding sentence, bond counsel is of the opinion that the Series 58 Bonds would come within the scope of the Joint Statement. Accordingly, if H.R. 3838 were to be enacted in its present form, with effective date provisions conforming to the description of such provisions contained in the Joint Statement, interest on the Series 58 Bonds would be exempt from Federal income taxation.

In addition, H.R. 3838 provides that for taxable years beginning in 1988, property and casualty insurance companies may be subject to an alternate method of taxation that would include, among other items, interest on obligations such as the Series 58 Bonds in the relevant income computation. The Joint Statement does not purport to modify, or to extend the effective date with respect to, this provision.

It has been reported that the Senate Committee on Finance has reached agreement on a proposal for a comprehensive tax reform package to be submitted to the full Senate for consideration.

There can be no assurance that the Joint Statement will not be amended or revised, or that H.R. 3838 will not be amended prior to enactment, or that additional or alternative legislation will not be introduced or enacted after the issuance of the Series 58 Bonds, so as to cause interest on the Series 58 Bonds to be subject to Federal income taxation or to impose additional requirements as a condition to such exemption.

PART 19—LEGAL OPINIONS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 58 Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. The approving opinion of Bond Counsel with respect to the Series 58 Bonds will be in substantially the form attached to this Official Statement as Exhibit B. The special opinion of Bond Counsel regarding H.R. 3838 will be in substantially the form attached to this Official Statement as Exhibit C. The opinion of Bond Counsel with respect to the payment of the Series 28, 29 and 30 Bonds will be in substantially the form attached to this Official Statement as Exhibit D. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Carter, Ledyard & Milburn, New York, New York, have acted as counsel for the Trustee.

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

PART 20—UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 58 Bonds from the Corporation at a discount from the initial public offering prices equal to 1.251% of the principal amount of the Series 58 Bonds. The Underwriters may offer to sell such Series 58 Bonds to certain dealers and others at prices lower than the initial public offering prices and the public offering prices 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 Series
58 Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

PART 21—FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended June 30, 1985 and the accompanying report thereon by Price Waterhouse, the Corporation’s independent accountants, and the unaudited financial statements of the Corporation for the nine months ended March 31, 1986 are annexed hereto as Exhibit A. Subsequent to the March 31, 1986 unaudited financial statements, the following events took place and are not included in those financial statements: (i) the receipt on April 12, 1986 of $25.6 million for First Resolution purposes and (ii) the issuance of $877,450 million of Series 57 Bonds on April 23, 1986.

* * *

Lazard Freres & Co. is acting without compensation as financial advisor to the Corporation. Felix G. Rohatyn, Chairman of the Corporation, and Eugene J. Keilin, a Director of the Corporation, are General Partners of such firm.

The references herein to the Act, the Emergency Act, the Tax Law, the Finance Law, the Agreements, and 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 Stephen J. Weinstein
Executive Director
APPENDIX

Definitions

The following are definitions of certain of the terms used in this Official Statement.

Act—New York State Municipal Assistance Corporation Act and the Municipal Assistance Corporation For the city of New York Act, each as amended to date (Sections 3001 through 3040 of the State Public Authorities Law).

Agreements—Financing Agreement and the agreements relating to the issuance of bonds by the City guaranteed by the United States of America.

Agreement to Guarantee—An agreement dated as of November 15, 1978, among the Corporation, the City, the State, the United States of America and the Financial Control Board providing for the federal guarantee of up to $1.65 billion of City bonds to be issued pursuant to the Debt Issuance Plan.

Board—Board of Directors of the Corporation.

Bond Service Fund—the bond service fund established under the Second General Bond Resolution and held by the Trustee.

Capital Reserve Aid Fund—the capital reserve fund established under the Second General Bond Resolution and held by the Trustee.

Capital Reserve Fund—the capital reserve fund established under the First General Bond Resolution and held by the trustee thereunder.

City Pension Funds—various City employee pension funds which are parties to the Financing Agreement and participants in the Debt Issuance Plan.

Control Board—New York State Financial Control Board which was created in September 1975 pursuant to the Emergency Act.

Corporation—Municipal Assistance Corporation For The City of New York.

Debt Issuance Plan—the financing plan calling for the issuance of bonds and notes of the Corporation and the City.

Emergency Act—the New York State Financial Emergency Act for the City of New York, as amended to date.

Financial Institutions—various commercial banks, savings banks, and insurance companies which are parties to the Financing Agreement and participants in the Debt Issuance Plan.

Financing Agreement—an agreement dated as of November 15, 1978 among the Corporation, the Financial Institutions and the City Pension Funds.


First General Bond Resolution—the General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented.

First Resolution Obligations—Bonds, Notes or Other Obligations (each as defined in the First General Bond Resolution) that are or may be issued pursuant to the First General Bond Resolution.
Fiscal Year—for the Corporation and the City, the 12 months ended June 30; for the State, the 12 months ended March 31.

Guaranty Fund—fund created in connection with the guarantee of bonds of the City by the United States of America, which, prior to the issuance of any Federal guarantees, must contain 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 bonds of the City.

Municipal Assistance State Aid Fund—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Per Capita Aid is paid.

Municipal Assistance Tax Fund—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Sales Tax and, if necessary, Stock Transfer Tax is paid.

1978 State Covenant—a covenant of the State that it will not take certain actions with respect to the Control Board.

Per Capita Aid—amounts of revenue available to the Corporation (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 Finance Law.

Sales Tax—collections of the State sales and compensating use taxes formerly imposed by the City, and now imposed by the State within the City.

Second General Bond Resolution—the second general bond resolution of the Corporation adopted November 25, 1975, as amended and supplemented.

Second Resolution Bonds—bonds that are or may be issued pursuant to the Second General Bond Resolution.

Secretary—the Secretary of the Treasury of the United States.

Series 58 Bonds—the Bonds described in this Official Statement authorized to be issued pursuant to the Series 58 Resolution.

Series 58 Resolution—the Series Resolution of the Corporation authorizing the Series 58 Bonds.

Stock Transfer Tax—collections of the State stock transfer tax.

Stock Transfer Tax Fund—the fund established for the Corporation pursuant to the Finance Law in the Custody of the Commissioner of Taxation and Finance into which the Stock Transfer Tax is paid.

Tax Law—the State Tax Law of New York.

Trustee—United States Trust Company of New York, as Trustee under the Second General Bond Resolution.
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, Statement of Changes in Funds Available to Purchase City of New York Obligations, Summary of Changes in Funding Requirement and the related Debt Service, Capital Reserve and Guaranty Funds and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1985 and the Debt Service Fund, Capital Reserve Funds, Guaranty Fund and Operating Fund transactions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. 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.

PRICE WATERHOUSE

153 East 53rd Street
New York, New York 10022
July 31, 1985
# Municipal Assistance Corporation for the City of New York

## Statement of Financial Position

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>March 31, 1986</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>First General Resolution Bonds</td>
<td>$1,664,738,000</td>
<td>$1,681,588,000</td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>6,255,000,000</td>
<td>6,006,250,000</td>
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<tr>
<td>Total bonds payable</td>
<td>7,919,738,000</td>
<td>7,687,838,000</td>
</tr>
<tr>
<td>Commercial Paper Notes</td>
<td>166,154,446</td>
<td>52,444,313</td>
</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>243,000,000</td>
<td>1,621,696</td>
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<tr>
<td>Payable for investment securities purchased</td>
<td>8,904,600</td>
<td>32,895,163</td>
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<tr>
<td>Required Guaranty Fund balance</td>
<td>53,750</td>
<td>1,673,792</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>2,167,467</td>
<td>8,088,113,663</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>8,088,113,663</td>
<td>8,028,377,564</td>
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</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>6,781</td>
<td>4,038</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>738,644,526</td>
<td>566,582,973</td>
</tr>
<tr>
<td>Accrued interest on marketable securities</td>
<td>12,052,512</td>
<td>1,552,538</td>
</tr>
<tr>
<td>City of New York obligations</td>
<td>1,665,106,000</td>
<td>1,639,698,000</td>
</tr>
<tr>
<td>Accrued interest on City of New York obligations</td>
<td>8,052,927</td>
<td>49,479,099</td>
</tr>
<tr>
<td>Funds Available to Purchase City of New York Obligations</td>
<td>536,636,703</td>
<td>680,636,703</td>
</tr>
<tr>
<td>Total Debt Service Fund</td>
<td>2,960,499,449</td>
<td>2,937,954,351</td>
</tr>
<tr>
<td>First Capital Reserve Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>704</td>
<td>-0-</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>300,372,684</td>
<td>326,239,374</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>5,743,208</td>
<td>5,559,169</td>
</tr>
<tr>
<td>Total First Capital Reserve Fund</td>
<td>306,116,596</td>
<td>331,798,543</td>
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<tr>
<td>Second Capital Reserve Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>-0-</td>
<td>1,493</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>848,324,725</td>
<td>793,906,843</td>
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<tr>
<td>Accrued interest</td>
<td>14,967,080</td>
<td>17,837,900</td>
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<tr>
<td>Total Second Capital Reserve Fund</td>
<td>863,291,805</td>
<td>811,746,236</td>
</tr>
<tr>
<td>Guaranty Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>67,770</td>
<td>34,208,423</td>
</tr>
<tr>
<td>Total Guaranty Fund</td>
<td>67,770</td>
<td>34,208,423</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>11,592,153</td>
<td>7,062,781</td>
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<tr>
<td>Total assets</td>
<td>4,141,567,773</td>
<td>4,122,770,334</td>
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<tr>
<td>Funding requirement</td>
<td>$3,946,545,890</td>
<td>$3,905,607,230</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
DEBT SERVICE, CAPITAL RESERVE AND GUARANTY FUNDS
STATEMENT OF TRANSACTIONS

For the nine months ended March 31, 1986
For the fiscal year ended June 30, 1985
(Unaudited)

Receipts:

Debt Service Fund:
Principal amount of bonds issued for refunding purposes . $  -0- $ 362,310,000
Less:
Discount on bonds issued .  -0-  (8,147,876)
Net proceeds from issuance of bonds .  -0-  354,162,124
Sales tax allocation received from State of New York .  168,000,000  559,400,000
Income from investments .  77,894,329  133,074,363
Income from City of New York obligations .  128,415,754  170,164,868
Accrued interest received on issuance of bonds .  1,343,655  7,439,494
City of New York obligations acquired .  148,000,000  240,230,000
Transfers from Guaranty Fund .  34,750,092  27,749,104
Transfers from First Capital Reserve Fund .  45,126,151  8,229,144
Transfers from Second Capital Reserve Fund .  632,110  49,281,282
Transfer for Funds Available to Purchase City of New York Obligations .  (4,000,000)  -0-
Total .  600,162,091  1,549,730,379

First Capital Reserve Fund:
Income from investments .  19,859,752  30,498,830
Transfers to Debt Service Fund .  (45,126,151)  (8,229,144)
Total .  (25,266,399)  22,269,686

Second Capital Reserve Fund:
Income from investments .  55,670,263  78,286,710
Transfers from bond proceeds .  -0-  27,379,400
Transfers to Debt Service Fund .  (632,110)  (49,281,282)
Total .  55,038,153  56,384,828

Guaranty Fund:
Income from investments .  609,439  3,957,915
Transfers to Debt Service Fund .  (34,750,092)  (27,749,104)
Total .  (34,140,653)  (23,791,189)
Decrease in requirement for Guaranty Fund .  32,841,413  23,377,539
Total receipts .  628,634,605  1,627,971,243

Expenditures:
Interest on First General Resolution Bonds .  94,231,263  132,562,215
Interest on Second General Resolution Bonds .  426,610,354  562,818,030
Interest on Commercial Paper Notes .  2,521,144  14,046,971
Principal repayment of First General Resolution Bonds .  16,850,000  16,450,000
Principal repayment of Second General Resolution Bonds .  -0-  199,595,000
Less: Discount on purchases .  -0-  (4,560,657)
Net cost .  -0-  195,034,343
Total debt service .  540,212,761  920,911,559
Deposit for defeasance .  496,201  354,162,124
Total expenditures .  540,708,962  1,275,073,683
Excess of receipts over expenditures for the period .  87,925,643  352,897,560

See accompanying notes to the financial statements.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
STATEMENT OF CHANGES IN FUNDS AVAILABLE TO PURCHASE
CITY OF NEW YORK OBLIGATIONS

<table>
<thead>
<tr>
<th>RECEIPTS:</th>
<th>For the nine months ended March 31, 1986</th>
<th>For the fiscal year ended June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal amount of bonds issued</td>
<td>$248,750,000</td>
<td>$360,000,000</td>
</tr>
<tr>
<td>Less: Discount on bonds issued</td>
<td>(4,189,977)</td>
<td>(7,620,600)</td>
</tr>
<tr>
<td>Transfers to Second Capital Reserve Fund</td>
<td>—0—</td>
<td>(27,379,400)</td>
</tr>
<tr>
<td>Deposit for defeasance</td>
<td>(244,560,023)</td>
<td>—0—</td>
</tr>
<tr>
<td>Net proceeds available—bonds</td>
<td>—0—</td>
<td>325,000,000</td>
</tr>
<tr>
<td>Principal amount of notes issued</td>
<td>359,390,000</td>
<td>1,355,155,000</td>
</tr>
<tr>
<td>Less: Principal repayment of notes</td>
<td>(359,390,000)</td>
<td>(1,355,155,000)</td>
</tr>
<tr>
<td>Net proceeds available—notes</td>
<td>—0—</td>
<td>—0—</td>
</tr>
<tr>
<td>Transfer from Debt Service Fund</td>
<td>4,000,000</td>
<td>—0—</td>
</tr>
<tr>
<td>Total proceeds available</td>
<td>4,000,000</td>
<td>325,000,000</td>
</tr>
</tbody>
</table>

| DISTRIBUTIONS: | | |
| Purchase of City of New York obligations for Debt Service Fund | (148,000,000) | (240,230,000) |
| Net change for the period | $ (144,000,000) | $ 84,770,000 |

<table>
<thead>
<tr>
<th>FUNDS AVAILABLE TO PURCHASE CITY OF NEW YORK OBLIGATIONS:</th>
<th>For the period</th>
<th>For the fiscal year ended June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the period</td>
<td>$ (144,000,000)</td>
<td>$ 84,770,000</td>
</tr>
<tr>
<td>At beginning of period</td>
<td>680,636,703</td>
<td>595,866,703</td>
</tr>
<tr>
<td>At end of period</td>
<td>$ 536,636,703</td>
<td>$ 680,636,703</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUMMARY OF CHANGES IN FUNDING REQUIREMENT</th>
<th>For the nine months ended March 31, 1986</th>
<th>For the fiscal year ended June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding requirement at beginning of period</td>
<td>$3,905,607,230</td>
<td>$4,165,284,587</td>
</tr>
<tr>
<td>Changes during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in debt outstanding</td>
<td>(11,100,000)</td>
<td>179,420,000</td>
</tr>
<tr>
<td>Debt Service, Capital Reserve and Guaranty Funds</td>
<td>(87,925,643)</td>
<td>(352,897,560)</td>
</tr>
<tr>
<td>Funds available to purchase City of New York obligations</td>
<td>144,000,000</td>
<td>(84,770,000)</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>(4,035,697)</td>
<td>(1,429,797)</td>
</tr>
<tr>
<td>Funding requirement at end of period</td>
<td>$3,946,545,890</td>
<td>$3,905,607,230</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## OPERATING FUND

### STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>For the nine months ended March 31, 1986 (Unaudited)</th>
<th>For the fiscal year ended June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RECEIPTS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>$10,600,000</td>
<td>$10,600,000</td>
</tr>
<tr>
<td>Income from investments</td>
<td>368,693</td>
<td>470,276</td>
</tr>
<tr>
<td><strong>Total receipts</strong></td>
<td>10,968,693</td>
<td>11,070,276</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt issuance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>315,270</td>
<td>537,465</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>1,597,681</td>
<td>2,525,077</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,912,951</td>
<td>3,062,542</td>
</tr>
<tr>
<td>Debt administration</td>
<td>587,310</td>
<td>1,291,159</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Special Deputy Comptroller</td>
<td>1,850,857</td>
<td>1,834,735</td>
</tr>
<tr>
<td>Financial Control Board</td>
<td>1,309,449</td>
<td>1,706,697</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,160,306</td>
<td>3,541,432</td>
</tr>
<tr>
<td>Investment administration</td>
<td>55,010</td>
<td>138,340</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>473,536</td>
<td>649,009</td>
</tr>
<tr>
<td>General administration</td>
<td>743,883</td>
<td>957,997</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>6,932,996</td>
<td>9,640,479</td>
</tr>
<tr>
<td>Excess of receipts over expenditures for the period</td>
<td>$ 4,035,697</td>
<td>$ 1,429,797</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
(All data relating to March 31, 1986 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 by State legislation adopted in June 1975 (as amended to date, the “Act”) for purposes of providing financing assistance and fiscal oversight for The City of New York (the “City”). To carry out such purposes, the Corporation, among other things, issues and sells bonds and notes to pay or loan funds received from such sales to the City and exchanges the Corporation’s obligations for those of the City.

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. Interest income from investments and interest expense on the Corporation’s debt are recorded on the accrual basis. Income from investments includes realized gains and losses from sales of investments. With respect to the Debt Service Fund, income from investments also includes provision for unrealized losses or reversals of prior provisions for unrealized losses on such investments. The Corporation’s debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund as incurred and become part of 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 date such amounts are segregated for that purpose by the Trustee under the bond resolutions. The funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

Debt service funds paid to the Corporation in advance of disbursement to bondholders are temporarily invested pursuant to the terms of the bond resolutions and the income therefrom is credited to the Debt Service Fund.

Investments in marketable securities held in the Capital Reserve and Guaranty Funds are carried at amortized cost and investments in marketable securities in the Debt Service Fund are carried at the lower of cost or market value, inclusive of accrued interest, in accordance with the bond resolutions pursuant to which they were established. These investments consist of direct obligations of, or obligations guaranteed by, the State or the United States of America, or certain other permitted investments. City of New York obligations are carried at cost.

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

Debt Authorization—

The Corporation was authorized by the Act to issue, until December 31, 1984, obligations in an aggregate principal amount of $10 billion, of which the Corporation issued approximately $9.445 billion, exclusive of obligations issued to refund outstanding obligations of the Corporation and of notes issued to enable the City to fulfill its seasonal borrowing requirements. No obligations of the Corporation may mature later than July 1, 2008, and as of January 1, 1985, no new obligations may be issued by the Corporation except to renew or refund outstanding obligations. The Corporation may issue such new obligations provided their issuance would not cause certain debt service limitations and debt service coverage ratios to be exceeded. See Exhibits I, II and III, which are an integral part of the Corporation’s Financial Statements.
Funding Methods—

The Corporation funds its debt service requirements and operating expenses 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 such taxes and per capita aid not required by the Corporation are available to the City.

All 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.

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from 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. In 1977, the State enacted a program of gradually increasing rebates for all stock transfer taxpayers. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the stock transfer tax at the present rate but will be entitled to a 100% rebate should the Corporation not require the funds. To date, the Corporation has not found it necessary to use the revenues derived from the stock transfer tax to pay its debt service.

The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the year ended June 30, 1985 amounted to $2,803.8 million. The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the three and twelve month periods ended March 31, 1986 amounted to $879.6 million and $3,109.1 million, respectively, as shown below:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3/31/86</td>
<td>3/31/85</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$ 507.9</td>
<td>$ 458.3</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>371.7</td>
<td>282.4</td>
</tr>
<tr>
<td>Total</td>
<td>$ 879.6</td>
<td>$ 740.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Twelve Months Ended</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3/31/86</td>
<td>3/31/85</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$1,876.6</td>
<td>$1,733.5</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>1,232.5</td>
<td>973.7</td>
</tr>
<tr>
<td>Total</td>
<td>$3,109.1</td>
<td>$2,707.2</td>
</tr>
</tbody>
</table>

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.

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 Municipal Assistance State Aid Fund, which is funded from per capita 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, the Corporation has been advised that no such
claims have been asserted since the inception of the Corporation. Also, the Corporation was advised that
total per capita aid paid into the Municipal Assistance State Aid Fund during the twelve months ended June
30, 1985 and March 31, 1986 amounted to $484 million and $562 million, respectively.

To the extent that funds are available from investment income, receipt of principal and interest
payments on obligations of the City and other sources, they may be used to reduce the Corporation’s funding
requirement.

The Corporation certified to and was paid on April 12, 1986, $25.6 million of sales tax revenues from the
Municipal Assistance Tax Fund for First General Bond Resolution purposes.

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.
The Corporation may from time to time purchase at a price equal to or less than par certain of its securities to
satisfy its sinking fund requirements.

Refunded Bonds—

The Corporation’s bonds may be refunded in advance of their maturity in accordance with provisions of
the First and Second General Bond Resolutions by placing in trust with the Trustee sufficient moneys or
certain securities which together with investment income will be sufficient to pay principal and interest when
due on the bonds which have been refunded. Although they remain valid debt instruments with regard to
principal and interest payable thereon from the moneys or securities placed in trust, advance refunded bonds
are deemed to have been paid within the meaning of the First and Second General Bond Resolutions and are
therefore no longer presented as liabilities of the Corporation. At June 30, 1985 and March 31, 1986, $1,029.2
million and $713.1 million, respectively, of the Corporation’s bonds which have been advance refunded
remain valid debt instruments.

NOTE 4—Capital Reserve Funds:

Capital Reserve Funds have been established under each of the Corporation’s general bond resolutions,
in conformance with the requirements of the Act, to provide security for payment of interest on and principal
of the bonds issued under each of the respective resolutions. The amount required to be on deposit in each of
the Capital Reserve Funds is 100% of the principal (including sinking fund installments) and interest
maturing or otherwise due or becoming due during the succeeding calendar year on outstanding bonds issued
under the respective resolutions.

At June 30, 1985, the First General Bond Resolution Capital Reserve Fund balance was $331.4 million,
net of payable for investment securities purchased of $415,000 and the Second General Bond Resolution
Capital Reserve Fund balance was $808.2 million, net of payable for investment securities purchased of $3.5
million. At March 31, 1986, the First General Bond Resolution Capital Reserve Fund balance was $306.1
million, and the Second General Bond Resolution Capital Reserve Fund balance was $863.3 million. Such
levels equalled or exceeded the required funding levels.

NOTE 5—Guaranty Fund:

In connection with the issuance by the City of Federally guaranteed obligations, a Guaranty Fund has
been established by the Corporation. The Corporation was required, at the time of each issuance of
guaranteed City obligations, to have on deposit in the Guaranty Fund a specified amount and to maintain
that amount in accordance with certain statutory and contractual conditions. The moneys on deposit in the

F-8
Guaranty Fund, up to a specified amount, are available for the benefit of the United States of America in the event the City is unable to meet debt service requirements on certain City obligations for which the payment of principal and interest is guaranteed by the United States of America. Such specified amount is presented as a liability of the Corporation. To the extent moneys on deposit in the Guaranty Fund exceed the amount required, the Corporation is entitled to withdraw such excess from the Guaranty Fund and the United States of America has no further claim on such moneys. At June 30, 1985 and March 31, 1986, no claim has been asserted. Moneys on deposit in the Guaranty Fund are invested in direct obligations of the United States of America.

NOTE 6—Operating Fund:

The Operating Fund provides for the expenses of carrying out the Corporation's duties and functions and is funded from the Municipal Assistance Tax Fund. The Operating Fund accounts have been prepared on the accrual basis of accounting. The Corporation's administrative expenses of debt issuance and service are charged to the Operating Fund as incurred. The assets of the Operating Fund at June 30, 1985 included approximately $572,000 of securities purchased under an agreement to resell, approximately $4,758,000 of investments in marketable securities, approximately $1,464,000 of prepaid expenses relating to commercial paper and approximately $267,000 for computer equipment and related software which is being depreciated on a straight line basis over a five year period which began January 1, 1982. The assets of the Operating Fund at March 31, 1986 included approximately $1,099,000 of securities purchased under an agreement to resell, approximately $10,357,000 of investments in marketable securities and approximately $133,000 for computer equipment and related software which is being depreciated on a straight line basis over a five year period which began January 1, 1982. The Corporation entered into a loan agreement in fiscal 1982 with the United States Trust Company of New York to finance the cost of the computer and related software. The balance of this loan at June 30, 1985 and March 31, 1986 was $100,000 which is due June 30, 1986. The loan bears interest at 9 1/4% which is payable semiannually. This loan is included in total operating fund liabilities.

NOTE 7—New York City Obligations Held by the Corporation:

Since October 1980, the Corporation has been acquiring bonds of the City, as part of a program to provide for a significant portion of the City's capital financing requirements, by using the net proceeds of the Corporation's debt issuances to purchase City bonds with similar maturities. Prior to October 1980, the Corporation had acquired bonds of the City in connection with certain other transactions.

At June 30, 1985 and March 31, 1986, the Corporation held $1,639.7 million and $1,665.1 million, respectively, principal amount of City bonds. The City obligations held at March 31, 1986 bear interest at rates ranging from 5.0% to 13.6% and will mature on September 15 in each year as shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Maturing (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$129,092</td>
</tr>
<tr>
<td>1987</td>
<td>119,119</td>
</tr>
<tr>
<td>1988</td>
<td>113,558</td>
</tr>
<tr>
<td>1989</td>
<td>98,009</td>
</tr>
<tr>
<td>1990</td>
<td>93,189</td>
</tr>
<tr>
<td>1991-1995</td>
<td>481,344</td>
</tr>
<tr>
<td>1996-2000</td>
<td>398,673</td>
</tr>
<tr>
<td>2001-2005</td>
<td>170,362</td>
</tr>
<tr>
<td>2006-2007</td>
<td>61,760</td>
</tr>
</tbody>
</table>

$1,665,106
The Corporation, in connection with the issuance of commercial paper notes, has entered into credit agreements under which it has pledged certain City obligations as collateral. The City has agreed that all bonds pledged as collateral may be sold without further consent of the City. All bonds not pledged as collateral may not be sold without the consent of the City. At June 30, 1985, approximately $307 million principal amount of City bonds were pledged. During the nine month period ended March 31, 1986, the Corporation terminated its Commercial Paper Program. All outstanding commercial paper notes matured and were paid by March 31, 1986. As a result, the pledging of City bonds is no longer required.

The Corporation, in making its certification for funds to the State, is required to exclude from consideration any amounts it expects to receive as payment on City obligations until such amounts are received.

NOTE 8—Commitments:

The Corporation and the City have developed a Debt Issuance Plan (the “Plan”) to provide for a significant portion of the City’s long-term financing requirements through fiscal 1989. Under the Plan, proceeds of debt issuances of the Corporation have been used, among other things, to provide a source of funding for a portion of the City’s capital program by purchasing bonds of the City and to refund certain existing obligations of the Corporation. At June 30, 1985 and March 31, 1986, approximately $681 million and $537 million, respectively, was available to purchase City obligations to fund the City’s capital program. The Plan, as of April 2, 1986, provides for additional public sales of the Corporation’s obligations of approximately $877.45 million, including the Series 57 Bonds, through fiscal 1989 for refunding purposes.

On April 23, 1986, the Corporation issued $877.45 million of its Series 57 Bonds under its Second General Bond Resolution. All of the net proceeds of the sale were used to advance refund its Second Resolution Series 25, 26, 32, 33, 36, and 39 Bonds. The Financial Statements do not give effect to this transaction, although the Exhibits do.

The Corporation continued to issue its Series 4 commercial paper notes secured by a credit agreement with Citibank, N.A. and Manufacturers Hanover Trust Company for the purpose of refunding maturing commercial paper notes. Such short-term obligations have a claim on the sales tax, stock transfer tax or per capita aid revenues subordinate to First and Second General Resolution Bonds. If the credit agreement is used to pay the short-term obligations, the Corporation’s obligation to the banks will be repayable over a period of at least five years through the issuance of bonds or otherwise. The Corporation has authorized the issuance of up to $250 million of such short-term obligations, which serves as an alternative to selling bonds publicly in such amount. At June 30, 1985, the Corporation had $243 million of such short-term obligations outstanding at interest rates ranging from 3.75% to 5.25% and maturities ranging from 13 days to 180 days. All such notes have now been paid, as described in Note 7, and the Corporation has terminated the credit agreement following the payment of the final outstanding Series 4 Note on March 31, 1986.

On March 30, 1984, the Corporation entered into an agreement with the State and the City to make available approximately $1.075 billion of revenues to the City through fiscal year 1988. Revenues made available pursuant to this agreement are determinable at the close of the Corporation’s fiscal year. As of June 30, 1985, the Corporation had made available $590 million of these revenues.
On April 2, 1986, the Corporation, the State and the City announced an agreement to make available $1.6 billion of additional revenues during the 1987 through 1995 fiscal years. These revenues are in addition to those covered by the March 1984 agreement.

The Corporation has agreed to reimburse the New York State Office of the Special Deputy Comptroller for the City of New York and the Financial Control Board for the cost of providing certain oversight services of the City's financial affairs.
NOTE 9—Investments in Marketable Securities:

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Market</th>
<th>Cost</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities Purchased Under Agreements to Resell</td>
<td>$ 1,524</td>
<td>$ 1,524</td>
<td>$ 1,524</td>
<td>$ 950</td>
</tr>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>1,221,355</td>
<td>1,212,177</td>
<td>1,212,858</td>
<td></td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>843,758</td>
</tr>
<tr>
<td>Obligations of the Corporation</td>
<td>10,190</td>
<td>10,378</td>
<td>10,123</td>
<td>-0-</td>
</tr>
<tr>
<td>One to Five Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>50,000</td>
<td>51,391</td>
<td>50,777</td>
<td>-0-</td>
</tr>
<tr>
<td></td>
<td>$1,283,069</td>
<td>$1,275,470</td>
<td>1,275,282</td>
<td>1,247,220</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount allocated to Funds Available to Purchase City of New York Obligations</td>
<td></td>
<td></td>
<td>(536,637)</td>
<td>(680,637)</td>
</tr>
<tr>
<td>Total</td>
<td>$738,645</td>
<td>$566,583</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

First Capital Reserve Fund

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Market</th>
<th>Cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities Purchased Under Agreements to Resell</td>
<td>$ -0-</td>
<td>$ -0-</td>
<td>$ -0-</td>
<td>$ 146</td>
</tr>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>127,932</td>
<td>127,928</td>
<td>126,906</td>
<td>62,501</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>103,910</td>
</tr>
<tr>
<td>One to Five Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>149,530</td>
<td>157,305</td>
<td>150,251</td>
<td>106,643</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>11,190</td>
<td>11,044</td>
<td>11,093</td>
<td>43,847</td>
</tr>
<tr>
<td>Five Years or Greater</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>4,745</td>
<td>5,101</td>
<td>4,925</td>
<td>-0-</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>7,260</td>
<td>7,151</td>
<td>7,198</td>
<td>7,192</td>
</tr>
<tr>
<td>Total</td>
<td>$300,657</td>
<td>$308,529</td>
<td>$300,373</td>
<td>$326,239</td>
</tr>
</tbody>
</table>

Second Capital Reserve Fund

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Market</th>
<th>Cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>$318,994</td>
<td>$320,384</td>
<td>$316,800</td>
<td>282,365</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>154,897</td>
</tr>
<tr>
<td>One to Five Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>453,120</td>
<td>473,903</td>
<td>457,870</td>
<td>226,800</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>73,690</td>
<td>73,639</td>
<td>73,655</td>
<td>98,404</td>
</tr>
<tr>
<td>Five Years or Greater</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>4,959</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>26,482</td>
</tr>
<tr>
<td>Total</td>
<td>$845,804</td>
<td>$867,926</td>
<td>$848,325</td>
<td>793,907</td>
</tr>
</tbody>
</table>

Guaranty Fund

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Market</th>
<th>Cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>$ 70</td>
<td>$ 68</td>
<td>$ 68</td>
<td>$ 34,208</td>
</tr>
<tr>
<td>Total</td>
<td>$ 70</td>
<td>$ 68</td>
<td>$ 68</td>
<td>$ 34,208</td>
</tr>
</tbody>
</table>

F-12
## MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
### BONDS OUTSTANDING

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption Date</th>
<th>Interest Rate</th>
<th>March 31, 1986†</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Unaudited)</td>
<td></td>
</tr>
<tr>
<td><strong>First General Resolution</strong></td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>BB</td>
<td>February 1:</td>
<td>6%</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>1986</td>
<td>7.5%</td>
<td>1,414,738</td>
<td>1,414,138</td>
</tr>
<tr>
<td>EE</td>
<td>1991-1995</td>
<td>7.5%</td>
<td>1,664,738</td>
<td>1,681,388</td>
</tr>
<tr>
<td><strong>Total First Resolution</strong></td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

|              |                 |               | 96,820          | 96,820        |
|              |                 | 8%            | 12,600          | 12,600        |
|              |                 | 8%            | 318,715         | 318,715       |
|              |                 | 7.5%          | 165,650         | 165,650       |
|              |                 | 7.5%          | 670,230         | 679,230       |
|              |                 | 8.375%        | 250,000         | 250,000       |
|              |                 | 8.375%        | 134,770         | 134,770       |
|              |                 | 8.375%        | 58,320          | 58,320        |
| **Second General Resolution** |                 |               |                   |               |
|              | July 1:         | 7.99%         | 194,250         | 194,250       |
|              | 1986-1991       | 8.1%          | 125,000         | 125,000       |
|              | 1986-1992       | 8.1%          | 125,000         | 125,000       |
|              | 1987-1999       | 7.4%          | 132,235         | 132,235       |
|              | 1986-1998       | 7.875%        | 84,170          | 84,170        |
|              | 1986-1999       | 7.875%        | 60,335          | 60,335        |
|              | 2000-2008       | 9%            | 90,000          | 90,000        |
|              | 2000-2008       | 8.5%          | 64,270          | 64,270        |
|              | 1986-1999       | 8.75%         | 188,805         | 188,805       |
|              | 1986-1999       | 8.75%         | 135,355         | 135,355       |
|              | 1990-1999       | 9.1%          | 125,000         | 125,000       |
|              | 1996-2000       | 8.25%-9.75%   | 74,300          | 74,300        |
|              | 1986-2000       | 10.75%        | 142,835         | 142,835       |
|              | 1986-2000       | 10.75%        | 102,440         | 102,440       |
|              | 1996-2008       | 10.625%       | 100,000         | 100,000       |
| 26           | 1986-2006       | 10.625%       | 29,780          | 29,780        |
| 27           | 1986-2000       | 11.375%       | 119,075         | 119,075       |
| 28           | 1986-2000       | 11.375%       | 85,390          | 85,390        |
| 29           | 1986-2001       | 13.375%       | 195,630         | 195,630       |
| 31           | 1986-2007       | 12.75%        | 53,505          | 53,505        |
| 32           | 1986-2008       | 10%-13%       | 93,140          | 93,140        |
| 33           | 1993-2003       | 9.25%-9.875%  | 175,000         | 175,000       |
| 34           | 2004-2008       | 9.7%          | 100,000         | 100,000       |
| 35           | 1986-2007       | 9.7%          | 18,940          | 18,940        |
| 36           | 1995-2008       | 10%-10.875%   | 210,000         | 210,000       |
| 37           | 1996-1998       | 6.5%-8.5%     | 101,320         | 101,320       |
| 38           | 1986-2008       | 6.75%-9.875%  | 206,260         | 206,260       |
| 39           | 1998-2008       | 6.75%-9.7%    | 226,880         | 226,880       |
| 40           | 1983-2008       | 7.25%-9.875%  | 175,000         | 175,000       |
| 41           | 1998-2008       | 7.5%-10.25%   | 185,000         | 185,000       |
| 42           | 1993-2008       | 8.2%-9.875%   | 160,540         | 160,540       |
| 43           | 1994-2008       | 8%-9.375%     | 201,770         | 201,770       |
| 44           | 1994-2008       | 8.5%-9.10%    | 125,000         | 125,000       |
| 45           | 1994-2008       | 7.29%-8.25%   | 123,750         | 123,750       |
| 46           | 1996-2008       | 6.5%-7.25%    | 877,450         | 877,450       |

**Total Second Resolution** |                   |               | 6,435,980       | 6,606,250     |

**Total Bonds Outstanding** |                   |               | 8,100,718       | 8,767,838     |

† Excludes refunded bonds and gives effect to the issuance of $877,450,000 of Series 57 Bonds on April 23, 1986.

F-13
## MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
### SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS
March 31, 1986
(In Thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>FY ending 6/30</th>
<th>First General Bond Resolution Total Principal and Interest*</th>
<th>Second General Bond Resolution Total Principal and Interest*</th>
<th>Total Principal and Interest*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$31,214†</td>
<td>$178,530†</td>
<td>$209,744†</td>
</tr>
<tr>
<td>1987</td>
<td>174,855</td>
<td>788,621</td>
<td>963,476</td>
</tr>
<tr>
<td>1988</td>
<td>258,605</td>
<td>796,816</td>
<td>1,055,421</td>
</tr>
<tr>
<td>1989</td>
<td>290,793</td>
<td>790,480</td>
<td>1,081,273</td>
</tr>
<tr>
<td>1990</td>
<td>294,793</td>
<td>788,285</td>
<td>1,083,078</td>
</tr>
<tr>
<td>1991</td>
<td>282,480</td>
<td>771,056</td>
<td>1,053,536</td>
</tr>
<tr>
<td>1992</td>
<td>259,980</td>
<td>759,410</td>
<td>1,019,390</td>
</tr>
<tr>
<td>1993</td>
<td>295,543</td>
<td>594,038</td>
<td>889,581</td>
</tr>
<tr>
<td>1994</td>
<td>339,724</td>
<td>602,350</td>
<td>942,074</td>
</tr>
<tr>
<td>1995</td>
<td>171,859</td>
<td>613,097</td>
<td>784,956</td>
</tr>
<tr>
<td>1996</td>
<td></td>
<td>597,478</td>
<td>597,478</td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td>512,645</td>
<td>512,645</td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td>504,974</td>
<td>504,974</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td>520,690</td>
<td>520,690</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td>474,404</td>
<td>474,404</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td>461,426</td>
<td>461,426</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>468,963</td>
<td>468,963</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>459,298</td>
<td>459,298</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>439,785</td>
<td>439,785</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>430,562</td>
<td>430,562</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>421,620</td>
<td>421,620</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>412,423</td>
<td>412,423</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>402,731</td>
<td>402,731</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,399,846</td>
<td>$12,789,682</td>
<td>$15,189,528</td>
</tr>
</tbody>
</table>

* Excludes refunded bonds and gives effect to the issuance of $877,450,000 of Series 57 Bonds on April 23, 1986.
† The fiscal year 1986 requirements represent the balance of funding required during the year.
### MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

#### SUMMARY OF ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS

March 31, 1986  
(Unaudited)

<table>
<thead>
<tr>
<th>FY ending 6/30</th>
<th>First General Bond Resolution†</th>
<th>Second General Bond Resolution†</th>
<th>Total Debt Service on Bonds Outstanding†</th>
<th>Estimated Coverage Ratios*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$124,855</td>
<td>$706,646</td>
<td>$831,501</td>
<td>24.82</td>
</tr>
<tr>
<td>1988</td>
<td>224,855</td>
<td>783,460</td>
<td>1,008,315</td>
<td>13.78</td>
</tr>
<tr>
<td>1989</td>
<td>292,355</td>
<td>791,057</td>
<td>1,083,412</td>
<td>10.60</td>
</tr>
<tr>
<td>1990</td>
<td>289,230</td>
<td>784,299</td>
<td>1,073,529</td>
<td>10.71</td>
</tr>
<tr>
<td>1991</td>
<td>300,355</td>
<td>781,582</td>
<td>1,081,937</td>
<td>10.32</td>
</tr>
<tr>
<td>1992</td>
<td>264,605</td>
<td>764,133</td>
<td>1,028,738</td>
<td>11.71</td>
</tr>
<tr>
<td>1993</td>
<td>255,355</td>
<td>752,188</td>
<td>1,007,543</td>
<td>12.13</td>
</tr>
<tr>
<td>1994</td>
<td>335,730</td>
<td>589,530</td>
<td>925,260</td>
<td>9.23</td>
</tr>
<tr>
<td>1995</td>
<td>343,718</td>
<td>597,256</td>
<td>940,974</td>
<td>9.01</td>
</tr>
<tr>
<td>1996</td>
<td>607,221</td>
<td>591,514</td>
<td>607,221</td>
<td>5.87</td>
</tr>
<tr>
<td>1997</td>
<td>507,996</td>
<td>507,996</td>
<td>591,514</td>
<td>6.03</td>
</tr>
<tr>
<td>1998</td>
<td>500,037</td>
<td>500,037</td>
<td>507,996</td>
<td>7.02</td>
</tr>
<tr>
<td>2000</td>
<td>514,983</td>
<td>514,983</td>
<td>500,037</td>
<td>7.13</td>
</tr>
<tr>
<td>2001</td>
<td>469,058</td>
<td>469,058</td>
<td>455,960</td>
<td>7.60</td>
</tr>
<tr>
<td>2002</td>
<td>455,960</td>
<td>455,960</td>
<td>462,794</td>
<td>7.82</td>
</tr>
<tr>
<td>2003</td>
<td>462,794</td>
<td>462,794</td>
<td>452,810</td>
<td>7.70</td>
</tr>
<tr>
<td>2004</td>
<td>452,810</td>
<td>452,810</td>
<td>433,182</td>
<td>7.87</td>
</tr>
<tr>
<td>2005</td>
<td>433,182</td>
<td>433,182</td>
<td>423,600</td>
<td>8.23</td>
</tr>
<tr>
<td>2006</td>
<td>423,600</td>
<td>423,600</td>
<td>423,600</td>
<td>8.42</td>
</tr>
<tr>
<td>2007</td>
<td>414,259</td>
<td>414,259</td>
<td>414,259</td>
<td>8.61</td>
</tr>
<tr>
<td>2008</td>
<td>404,584</td>
<td>404,584</td>
<td>404,584</td>
<td>8.81</td>
</tr>
<tr>
<td>2009</td>
<td>394,427</td>
<td>394,427</td>
<td>394,427</td>
<td>9.04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,431,058</strong></td>
<td><strong>$13,182,576</strong></td>
<td><strong>$15,613,634</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Estimated coverage ratios on First Resolution Bonds are based upon New York State Sales and Stock Transfer Tax Revenues, reduced by Operating Expenses of $10.7 million, divided by Debt Service on First Resolution Bonds. Estimated coverage ratios on Second Resolution Bonds are based upon all revenues, reduced by Debt Service on First Resolution Bonds and Operating Expenses, divided by Debt Service on Second Resolution Bonds. All revenues include $3,109.1 million combined New York State Sales and Stock Transfer Tax and $467 million in Per Capita Aid.

†Excludes refunded bonds and gives effect to the issuance of $877,450,000 of Series 57 Bonds on April 23, 1986.
EXHIBIT B

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 $290,075,000 aggregate principal amount of Series 58 Bonds (the "Series 58 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 Series 58 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 amended and supplemented to the date hereof (the "Second General Bond Resolution") and the Series 58 Resolution, adopted May 8, 1986 (the "Series Resolution"). The Second General Bond Resolution and the Series Resolution are herein collectively called the "Resolutions".

The Series 58 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 and certain agreements of the Corporation 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 Series 58 Bonds are being issued for purposes set forth in the Series Resolution.

The Corporation is authorized to issue Bonds, in addition to the Series 58 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the Series 58 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 Series 58 Bonds are dated May 1, 1986 except as otherwise provided in the Resolutions with respect to Series 58 Bonds delivered on or after the first interest payment date, will mature on July 1 in each of the
years and will bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 1987, at the respective rates per annum shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
<th>Year</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$15,975,000</td>
<td>7%</td>
<td>2000</td>
<td>$19,645,000</td>
<td>7.30%</td>
</tr>
<tr>
<td>1998</td>
<td>17,090,000</td>
<td>7.10</td>
<td>2001</td>
<td>21,075,000</td>
<td>7.30</td>
</tr>
<tr>
<td>1999</td>
<td>18,310,000</td>
<td>7.30</td>
<td>2008</td>
<td>197,980,000</td>
<td>7%</td>
</tr>
</tbody>
</table>

The Series 58 Bonds are issued only in fully registered form in the denomination of $5,000 or an integral multiple thereof. Series 58 Bonds are lettered and numbered 58R-- followed by the last two digits of the year of maturity and the number of the Series 58 Bond. Series 58 Bonds are numbered consecutively from one upward in order of issuance.

The Series 58 Bonds maturing on July 1, 2008 are subject to redemption, commencing on July 1, and on each July 1 thereafter prior to maturity, 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 in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each Series 58 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the Series 58 Bonds are subject to redemption at the election of the Corporation on and after July 1, 1996, 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 1974 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 Series 58 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"), and 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 Series 58 Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 58 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 Series 58 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 Series 58 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 Series 58 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 as aforesaid, 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 the 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 Series 58 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 Series 58 Bonds be payable out of any funds other than those of the Corporation.

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

(a) to provide for the appropriation of, and 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 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 Code 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. Interest on the Series 58 Bonds is exempt from (i) Federal income taxes under the existing statutes, and (ii) personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 58 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for estate or gift taxes and taxes on transfers.

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 Series 58 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the Series 58 Bonds, and the execution and delivery of the Series 58 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 Series 58 Bond numbered 58R-08-1 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
New York, New York

Dear Sirs:

We have delivered on this date our approving legal opinion relating to the issuance of $290,075,000 aggregate principal amount of Series 58 Bonds (the "Series 58 Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"). We wish to advise you that on December 17, 1985, the United States House of Representatives passed the Tax Reform Act of 1985 ("H.R. 3838") which contains provisions that would, if enacted into law, impose additional requirements as a condition to the exemption from Federal income taxation of interest on state and local governmental obligations issued after December 31, 1985, and which adds a preference item to be included in calculating alternative minimum taxable income, interest on certain tax exempt obligations issued after December 31, 1985. These proposed legislative changes are referred to below as the "Proposed Changes".

On March 14, 1986, a joint statement was made by Dan Rostenkowski, Chairman of the House Committee on Ways and Means, Bob Packwood, Chairman of the Senate Committee on Finance, John J. Duncan, Ranking Member of the House Committee on Ways and Means, Russell Long, Ranking Member of the Senate Committee on Finance, and Secretary of the Treasury, James A. Baker, III (the "Joint Statement"). The Joint Statement endorses the postponement, until the earlier of September 1, 1986 or the date of enactment of tax reform legislation, of the effective date of all the Proposed Changes that could have a material adverse impact on the issuance of "governmental bonds", other than certain limitations with which the Corporation can and will comply regarding temporary periods and the calculation of yield. As used herein the term "governmental bonds" refers to obligations issued by state and local governmental units for public and governmental purposes, and specifically excludes industrial development bonds; obligations that would be industrial development bonds if organizations described in Section 501(c)(3) of the Code were non-exempt persons engaged in trades or business; student loan bonds; mortgage subsidy bonds; private or consumer loan bonds; pension bonds; or certain bonds which involve payments by private persons in connection with the use of the bond-financed property.

In our opinion, the Series 58 Bonds are within the scope of the Joint Statement and, accordingly, if H.R. 3838 were to be enacted in its present form, with effective date provisions conforming to the description of such provisions contained in the Joint Statement, interest on the Series 58 Bonds would be exempt from Federal income taxation.

In addition, H.R. 3838 provides that for taxable years beginning in 1988, property and casualty insurance companies may be subject to an alternate method of taxation that is to include, among other items, interest on obligations such as the Series 58 Bonds in the relevant income computation. The Joint Statement does not purport to modify, or to extend the effective date with respect to, this provision.
There can be no assurance that the Joint Statement will not be amended or revised, or that H.R. 3838 will not be amended prior to enactment or that additional legislation will not be introduced and enacted after the issuance of the Series 58 Bonds, so as to cause interest on the Series 58 Bonds to be subject to Federal income taxation or to place additional requirements as a condition to such exemption.

Very truly yours,
Dear Sirs:

The Corporation now has outstanding an aggregate principal amount of $29,780,000 Series 28 Bonds issued pursuant to the Second General Bond Resolution of the Corporation adopted on November 25, 1975, as amended and supplemented to the date hereof (the “Second General Bond Resolution”) and a Series Resolution adopted on January 21, 1981 and $119,075,000 Series 29 Bonds and $85,390,000 Series 30 Bonds issued pursuant to the Second General Bond Resolution and Series Resolutions adopted on June 2, 1981 (collectively, the “Refunded Bonds”). In accordance with the provisions of Section 203 and Article XIV of the Second General Bond Resolution, respectively, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York (the “Trustee”, as such term is defined in the Second General Bond Resolution), the principal of and interest on which, when due, will provide monies sufficient to pay, when due, the principal or redemption price of and interest until the maturity or earlier redemption date of the Refunded Bonds.

The Corporation has directed the Trustee to redeem through sinking fund installments, by lot, at a redemption price of 100% of the principal amount of each Refunded Bond so redeemed, on July 1 of each of the following years, the following aggregate principal amounts of Refunded Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Series 28 Bonds</th>
<th>Series 29 Bonds</th>
<th>Series 30 Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$935,000</td>
<td>$6,675,000</td>
<td>$4,785,000</td>
</tr>
<tr>
<td>1987</td>
<td>$955,000</td>
<td>6,855,000</td>
<td>4,915,000</td>
</tr>
<tr>
<td>1988</td>
<td>970,000</td>
<td>7,035,000</td>
<td>5,045,000</td>
</tr>
<tr>
<td>1989</td>
<td>990,000</td>
<td>7,215,000</td>
<td>5,175,000</td>
</tr>
<tr>
<td>1990</td>
<td>1,010,000</td>
<td>7,395,000</td>
<td>5,305,000</td>
</tr>
<tr>
<td>1991</td>
<td>1,030,000</td>
<td>7,580,000</td>
<td>5,435,000</td>
</tr>
</tbody>
</table>

The Corporation has also directed the Trustee to redeem on July 1, 1991 at a redemption price of 102% the balance of the $23,890,000 principal amount of the Series 28 Bonds, $76,320,000 principal amount of Series 29 Bonds and $54,730,000 principal amount of the Series 30 Bonds.

Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the Refunded Bonds in accordance with the provisions of such Section 203 and Article XIV of the Second General Bond Resolution.

Very truly yours,

B-8
NEW ISSUE

In the opinion of Bond Counsel, interest on the Series 58 Bonds is exempt from (i) Federal income taxes under the existing statutes, and (ii) personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 58 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State except for estate or gift taxes and taxes on transfers. See also "PART 18—PENDING FEDERAL TAX LEGISLATION".

$288,870,000*

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
(A Public Benefit Corporation of the State of New York)

SERIES 58 BONDS

Dated May 1, 1986

Principal of the Series 58 Bonds is payable at the corporate trust office of United States Trust Company of New York, trustee under the Second General Bond Resolution. Interest on the Series 58 Bonds is payable semi-annually on each January 1 and July 1, commencing January 1, 1987, by check or draft mailed to the registered owner. The Series 58 Bonds will be issued as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000.

The Series 58 Bonds are subject to optional redemption as more fully described herein. The Series 58 Bonds maturing on July 1, 2008 are also subject to mandatory redemption as more fully described herein.

<table>
<thead>
<tr>
<th>Due</th>
<th>Amount*</th>
<th>Rate</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$15,675,000</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>1998</td>
<td>16,855,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>18,120,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>$19,480,000</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>2001</td>
<td>20,940,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$197,800,000* % Term Bonds due July 1, 2008 @ % (Plus accrued interest)

The Series 58 Bonds are issued pursuant to the Second General Bond Resolution and are payable from certain per capita State aid and, to the extent not required for payment of certain other obligations of the Corporation, 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 Series 58 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 Series 58 Bonds.

The Series 58 Bonds are offered when, 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. Certain legal matters will be passed on for the Underwriters by their counsel, White & Case, New York, New York. It is expected that the Series 58 Bonds in definitive form will be available for delivery on or about May 29, 1986. At the option of any Underwriter, delivery will be available at the Depository Trust Company, New York, New York.

---

Goldman, Sachs & Co.
Citicorp Investment Bank
Citibank, N.A.
Bear, Stearns & Co. Inc.
Salomon Brothers Inc
Manufacturers Hanover Trust Company
L. F. Rothschild, Unterberg, Towbin, Inc.
Merrill Lynch Capital Markets
Morgan Guaranty Trust Company of New York
Shearson Lehman Brothers Inc.

The date of this Official Statement is May 5, 1986

Subject to change.
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 Series 58 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 SERIES 58 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 STABILIZATION, 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</td>
<td>1</td>
</tr>
<tr>
<td>The Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Payment of the Bonds and Debt Service Coverage</td>
<td>2</td>
</tr>
<tr>
<td>Limitations on Bond Issuance</td>
<td>2</td>
</tr>
<tr>
<td>Appropriation of Revenues</td>
<td>2</td>
</tr>
<tr>
<td>Outstanding Debt of the Corporation</td>
<td>3</td>
</tr>
<tr>
<td>Debt Issuance Plan</td>
<td>3</td>
</tr>
<tr>
<td>Certain Factors</td>
<td>3</td>
</tr>
<tr>
<td>2. BONDS BEING OFFERED</td>
<td>4</td>
</tr>
<tr>
<td>General</td>
<td>4</td>
</tr>
<tr>
<td>Additional Bonds and Notes</td>
<td>5</td>
</tr>
<tr>
<td>3. USE OF PROCEEDS AND PLAN OF REFUNDING</td>
<td>6</td>
</tr>
<tr>
<td>Background, Purposes and Powers</td>
<td>6</td>
</tr>
<tr>
<td>Outstanding Debt of the Corporation</td>
<td>7</td>
</tr>
<tr>
<td>5. DEBT ISSUANCE PLAN</td>
<td>9</td>
</tr>
<tr>
<td>6. PAYMENT OF THE BONDS</td>
<td>9</td>
</tr>
<tr>
<td>General</td>
<td>12</td>
</tr>
<tr>
<td>Appropriation by Legislature</td>
<td>13</td>
</tr>
<tr>
<td>Per Capita Aid</td>
<td>13</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>15</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>16</td>
</tr>
<tr>
<td>Capital Reserve Aid Fund</td>
<td>16</td>
</tr>
<tr>
<td>7. DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS</td>
<td>17</td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>18</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
<td>18</td>
</tr>
<tr>
<td>Debt Service Requirements and Estimated Coverage Ratios</td>
<td>18</td>
</tr>
</tbody>
</table>

8. CERTAIN DEVELOPMENTS AFFECTING THE STATE | 20
| Long-Term Trends | 20 |
| Financial Developments—Fiscal Years 1975-1986 | 21 |
| Program for the 1987 Fiscal Year | 21 |
| Problems of Authorities and Localities | 26 |
| Litigation | 30 |

9. CERTAIN DEVELOPMENTS AFFECTING THE CITY | 30
| Fiscal Years 1975-1985 | 30 |
| Fiscal Years 1986-1989 | 32 |
| City Litigation | 34 |
| Covered Organization Litigation | 36 |
| Federal Bankruptcy Legislation | 37 |

10. VARIOUS CONTROL PROGRAMS | 37
| The Corporation | 38 |
| Control Board | 40 |

11. AGREEMENT OF THE STATE OF NEW YORK | 40
12. MANAGEMENT | 43
13. LITIGATION | 43
14. SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION | 43
15. TRUSTEE | 50
16. LEGAL INVESTMENT | 51
17. TAX EXEMPTION | 51
18. PENDING FEDERAL TAX LEGISLATION | 52
19. LEGAL OPINIONS | 52
20. UNDERWRITING | 53
21. FINANCIAL STATEMENTS | 53
22. APPENDIX—Definitions | 54
23. EXHIBIT A—Financial Statements | F-1
24. EXHIBITS B, C AND D—Opinions of Bond Counsel | B-1

Lazard Frères & Co.—Financial Advisor
PART 1—INTRODUCTION

Certain factors and additional information that may affect decisions to invest in the Series 58 Bonds are described throughout this Official Statement which should be read in its entirety. Certain terms used in this Official Statement are defined in the Appendix.

The Corporation The Municipal Assistance Corporation For The City of New York is a public benefit corporation of the State created for the purpose of providing financing assistance and fiscal oversight for the City.

The Bonds The Series 58 Bonds will be issued pursuant to the Corporation’s Second General Bond Resolution. Certain revenues of the Corporation described below are pledged to the payment of the Series 58 Bonds, which are general obligations of the Corporation and are not obligations of either the State or the City.

Payment of the Bonds and Debt Service Coverage The Corporation’s revenues pledged to the payment of Second Resolution Bonds are derived from moneys that are paid to the Trustee, subject to annual appropriation by the State Legislature, from three sources: Per Capita Aid and (after satisfying debt service, operating expenses and capital reserve funding requirements under the Corporation’s First General Bond Resolution) the Sales Tax and the Stock Transfer Tax. “Per Capita Aid” consists of amounts that otherwise would have been payable to the City under the State law that provides for a general revenue sharing program applicable to localities throughout the State. The “Sales Tax” consists of a State sales tax imposed within the City, at the rate of 4%, on most retail and certain other sales. The “Stock Transfer Tax” consists of the State tax on the transfer of stocks and certain other securities. The Corporation has no taxing power. Assuming that amounts available to the Corporation from Per Capita Aid, Sales Tax and Stock Transfer Tax continue at present levels, Available Revenues for debt service on all outstanding Second Resolution Bonds, including the Series 58 Bonds and giving effect to the refunding of the Series 28, 29 and 30 Bonds, would be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax (12 months ended March 31, 1986)</td>
<td>$1,877</td>
</tr>
<tr>
<td>Stock Transfer Tax (12 months ended March 31, 1986)</td>
<td>$1,232</td>
</tr>
<tr>
<td>Operating expenses of the Corporation</td>
<td>$11</td>
</tr>
<tr>
<td>Maximum annual debt service payment on outstanding First Resolution</td>
<td>$3,444</td>
</tr>
<tr>
<td>obligations (issuance test limits annual debt service to $425 million)</td>
<td></td>
</tr>
<tr>
<td>Available tax revenues after provision for First Resolution obligations</td>
<td>$2,754</td>
</tr>
<tr>
<td>Available Per Capita Aid (for the Corporation’s 1986 fiscal year), net of</td>
<td></td>
</tr>
<tr>
<td>$95 million of potential prior claims (none of which has been asserted</td>
<td>$417</td>
</tr>
<tr>
<td>since the inception of the Corporation)</td>
<td></td>
</tr>
<tr>
<td>Maximum annual debt service payment on outstanding Second Resolution</td>
<td>$3,171</td>
</tr>
<tr>
<td>Bonds (including the Series 58 Bonds and giving effect to the refunding</td>
<td></td>
</tr>
<tr>
<td>of the Series 28, 29 and 30 Bonds)</td>
<td></td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>$777</td>
</tr>
<tr>
<td></td>
<td>4.08</td>
</tr>
</tbody>
</table>
The authority of the State to impose and collect the Sales Tax and pay the Sales Tax and Stock Transfer Tax revenues to the Corporation has been affirmed by the State's highest court; the United States Supreme Court dismissed the appeal of the State court's decision for lack of a substantial Federal question.

For further information with respect to the Corporation's revenues and debt service, as well as estimated coverage ratios, see "Part 6—Payment of the Bonds" and "Part 7—Debt Service Payment Requirements and Estimated Coverage Ratios."

<table>
<thead>
<tr>
<th>Limitations on Bond Issuance</th>
<th>The Corporation has covenanted not to issue additional Second Resolution Bonds unless available revenues, calculated substantially in the manner outlined above, would cover estimated maximum annual debt service payments on Second Resolution Bonds at least two times.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation of Revenues</td>
<td>The Legislature has appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since the inception of the Corporation. The Corporation expects that the Legislature will continue to make such appropriations so long as the Corporation's bonds are outstanding. Under the State Constitution, however, the Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation.</td>
</tr>
<tr>
<td>Outstanding Debt of the Corporation</td>
<td>After the issuance of the Series 58 Bonds, and the refunding of the Series 28, 29 and 30 Bonds, the Corporation will have outstanding an aggregate of $8.156 billion of its bonds, $6.491 billion issued under the Second General Bond Resolution and $1.665 billion issued under the First General Bond Resolution. The Corporation's First and Second Resolution obligations each have the benefit of a capital reserve fund held by the Trustee. At March 31, 1986, such funds, valued in accordance with the Act, contained $306.1 million and $863.3 million, respectively. See &quot;Part 6—Payment of the Bonds.&quot;</td>
</tr>
<tr>
<td>Debt Issuance Plan</td>
<td>The Series 58 Bonds are being offered as part of the Debt Issuance Plan developed by the Corporation and the City. Certain institutional investors, some of which are underwriters of this offering, hold substantial amounts of bonds of the Corporation. Such investors may, from time to time during and after the time when the Series 58 Bonds are being offered to the public, offer or sell bonds of the Corporation, which may have an adverse effect on the market for and the market price of the Series 58 Bonds.</td>
</tr>
</tbody>
</table>
The Corporation believes that the market for, the market price of, the tax exempt status of the interest payable on, and the sources of payment of, the Series 58 Bonds may be affected by certain other factors described elsewhere in this Official Statement. See, in particular, "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE," "PART 9—CERTAIN DEVELOPMENTS AFFECTING THE CITY," and "PART 18—PENDING FEDERAL TAX LEGISLATION."

PART 2—BONDS BEING OFFERED

General

The Series 58 Bonds will be issued pursuant to the Second General Bond Resolution and the Series 58 Resolution. The Series 58 Bonds will be dated and bear interest from May 1, 1986 to maturity or earlier date fixed for redemption. The Series 58 Bonds will be issued as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Principal of the Series 58 Bonds is payable at the corporate trust office of the Trustee. Interest on the Series 58 Bonds is payable semi-annually on each January 1 and July 1, commencing January 1, 1987, by check or draft mailed to the registered owners at their addresses, as the same appear on the books of the Corporation kept by the Trustee on the tenth day preceding an interest payment date. The Series 58 Bonds will be transferable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the Series 58 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 Series 58 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 Series 58 Bonds will 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 11—AGREEMENT OF THE STATE OF NEW YORK."

United States Trust Company of New York is the Trustee under the Second General Bond Resolution. Its corporate trust office is located at 45 Wall Street, New York, New York 10005. For further information concerning the Trustee, see "PART 15—TRUSTEE."

Optional Redemption

The Series 58 Bonds are subject to redemption at the option of the Corporation on or after July 1, 1996, 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, 1996 to December 31, 1997</td>
<td>102%</td>
</tr>
<tr>
<td>January 1, 1998 to June 30, 1999</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1999 to December 31, 2000</td>
<td>101</td>
</tr>
<tr>
<td>January 1, 2001 to June 30, 2002</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 2002 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>
Sinking Fund Redemption

The Series 58 Bonds maturing on July 1, 2008 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 Series 58 Bonds specified for each of the years shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$22,510,000</td>
<td>2006</td>
<td>$30,065,000</td>
</tr>
<tr>
<td>2003</td>
<td>24,195,000</td>
<td>2007</td>
<td>32,315,000</td>
</tr>
<tr>
<td>2004</td>
<td>26,015,000</td>
<td>2008</td>
<td>34,740,000*</td>
</tr>
<tr>
<td>2005</td>
<td>27,960,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Payment at maturity.

Giving effect to the Sinking Fund Installments set forth above, the average life of the Series 58 Bonds maturing on July 1, 2008 would be approximately 19.45 years, calculated from May 1, 1986.

The Corporation may from time to time direct the Trustee to purchase, with moneys in the Bond Service Fund, Series 58 Bonds at or below par plus unpaid interest accrued to the date of such purchase, and apply any Bonds so purchased as a credit, at par, against and in fulfillment of a required Sinking Fund Installment on the Bonds so purchased. See “PART 14—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION—Bond Service Fund.” To the extent the Corporation fulfills its obligations to make Sinking Fund Installments in a particular year through such purchases of such Bonds, the likelihood of redemption by lot of any holder’s Series 58 Bonds of such maturity 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, but is not obligated to, do so with respect to the Series 58 Bonds.

Additional Bonds and Notes

Pursuant to the Act, until December 31, 1984 the Corporation was authorized to issue bonds and notes in an aggregate principal amount not exceeding $10 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City’s seasonal borrowing requirements). For purposes of this authorization, the Corporation issued approximately $9.445 billion of bonds and notes (including approximately $250 million of commercial paper notes). The Corporation continues to be authorized to issue bonds and notes only to refund outstanding bonds and notes, without limitation as to principal amount.

Additional Second Resolution Bonds may be issued on a parity with the Series 58 Bonds, provided that (a) an 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 by the State Commissioner of Taxation and Finance to be collectible during the succeeding 12-month period from such sources, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore apportioned and paid to the Municipal Assistance State Aid Fund for the fiscal year of the State during which such additional Bonds are to be issued, less (c) the maximum annual debt service on outstanding First Resolution obligations, less (d) estimated operating expenses of the Corporation for its then current fiscal year, is at least 2 times (c) the maximum annual debt service on outstanding Second Resolution Bonds (including the particular series of such additional Bonds then proposed to be issued).

Pursuant to the Series 58 Resolution and certain other series resolutions of the Corporation, the Corporation may issue additional First Resolution obligations only to the extent that the issuance thereof would not cause the maximum annual debt service on outstanding First Resolution obligations to equal or
exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination obligations that the Corporation may offer to the public under the First General Bond Resolution).

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."

PART 3—USE OF PROCEEDS AND PLAN OF REFUNDING

The net proceeds of the sale of the Series 58 Bonds will be $ . Such proceeds will be used to refund the Corporation's Series 28, 29 and 30 Bonds.

The Series 28 Bonds are currently outstanding in the aggregate principal amount of $29.780 million, bear interest at the rate of 10½% and are due July 1, 2007. The Series 28 Bonds will be redeemed through mandatory sinking fund installments at 100% of the principal amounts thereof, plus accrued interest to the redemption dates, on July 1 in each of the years 1986 through 1991, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$935,000</td>
</tr>
<tr>
<td>1987</td>
<td>955,000</td>
</tr>
<tr>
<td>1988</td>
<td>970,000</td>
</tr>
<tr>
<td>1989</td>
<td>990,000</td>
</tr>
<tr>
<td>1990</td>
<td>1,010,000</td>
</tr>
<tr>
<td>1991</td>
<td>1,030,000</td>
</tr>
</tbody>
</table>

The balance of $23,890,000 principal amount of the Series 28 Bonds will be redeemed on July 1, 1991 at a redemption price of 102% of the principal amount thereof, plus accrued interest to the redemption date.

The Series 29 and 30 Bonds are currently outstanding in the aggregate principal amounts of $119.075 million and $85.590 million, respectively, bear interest at the rate of 11½% and are due July 1, 2000. The Series 29 and 30 Bonds will be redeemed through mandatory sinking fund installments at 100% of the principal amounts thereof plus accrued interest to the redemption dates, on July 1 in each of the years 1986 through 1991, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Series 29 Bonds</th>
<th>Series 30 Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$6,675,000</td>
<td>$4,785,000</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>6,855,000</td>
<td>4,915,000</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>7,035,000</td>
<td>5,045,000</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>7,215,000</td>
<td>5,175,000</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>7,395,000</td>
<td>5,305,000</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>7,580,000</td>
<td>5,435,000</td>
<td></td>
</tr>
</tbody>
</table>

The balance of $76,320,000 principal amount of the Series 29 Bonds and $54,730,000 of the Series 30 Bonds will be redeemed on July 1, 1991 at a redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date.

To accomplish the refunding of these bonds, the net proceeds of approximately $ million will be used to purchase non-callable direct obligations of the United States of America (the "Government Obligations"), the principal of and interest on which, when due, will provide moneys sufficient to pay when due principal at maturity of and sinking fund installments and redemption prices, together with interest, on
the Series 28, 29 and 30 Bonds. At the time of issuance of the Series 58 Bonds, the Corporation will deposit the Government Obligations in a special trust fund to be held by United States Trust Company of New York, as Trustee under the Second General Bond Resolution. At such time, the Corporation will give such Trustee irrevocable instructions to give notice of the refunding of the Series 28, 29 and 30 Bonds and to apply the special trust fund solely for the payment of principal of and sinking fund installments and redemption prices, together with interest, on each of the series of bonds to be refunded.

Upon the giving of such instructions, the Series 28, 29 and 30 Bonds will no longer be outstanding for purposes of the Second General Bond Resolution. Accordingly, all principal of and sinking fund installments and redemption prices, together with interest, on the Series 28, 29 and 30 Bonds will be payable solely from the special trust fund.

The refunding of the Series 28, 29 and 30 Bonds is part of the Corporation's refunding program. The program is intended to provide present value savings to the Corporation and to reduce the level of debt service requirements in certain early years where debt service requirements are at disproportionately high levels through the issuance of refunding bonds which have debt service requirements occurring at higher levels in later years.

PART 4—THE CORPORATION

Background, Purposes and Powers

The Corporation is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. The Corporation was created by State legislation adopted in June 1975 (as amended to date, the "Act"), for the purpose of providing financing assistance and fiscal oversight for the City. To carry out such purpose, the Corporation was given the authority, 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 and to issue bonds to refund outstanding bonds. Between June 1975 and June 1978, the Corporation issued its obligations in accordance with this purpose and the City was provided with seasonal loans by the Federal government and long-term financing by certain City pension funds and the Corporation. In September 1975, the Control Board was established to oversee the financial affairs of the City.

By June 1978, the City had brought its operating budget into balance in accordance with State law and accomplished other budgetary and accounting objectives. Despite this progress, it became clear that further actions would be necessary to enable the City to obtain its own financing. As a result, the Debt Issuance Plan was developed to provide long-term financing to the City over the four fiscal years ending June 1982, during which time the City was required to follow a plan designed to bring its operating budget into balance in accordance with generally accepted accounting principles ("GAAP") by the 1982 fiscal year and to enable it to regain access to the public credit markets. Although the City's operating budget for the 1981 and 1982 fiscal years was balanced in accordance with GAAP (and has been so balanced through the 1985 fiscal year), the Debt Issuance Plan was supplemented to give the City additional time to regain full access to the public credit markets. The City publicly sold $75 million of its bonds during its 1981 fiscal year, $250 million of its bonds during its 1982 fiscal year, $452 million of its bonds during its 1983 fiscal year, $775 million of its bonds during its 1984 fiscal year, $1.592 billion of its bonds during its 1985 fiscal year and $1.150 billion of its bonds to date in its 1986 fiscal year. In addition, the New York City Municipal Water Finance Authority, a public benefit corporation authorized to issue revenue bonds to finance City water and sewer capital improvements, has sold $400 million of revenue bonds to date in fiscal 1986.

To enable the Corporation to assist in financing the City's capital needs during its 1983 through 1985 fiscal years, the State enacted legislation in June 1980 increasing the amount of obligations which the Corporation could issue to $10 billion (excluding refunding obligations and certain short-term notes) and
extending through December 31, 1984 the period during which such obligations, other than refunding obligations, could be issued. The 1980 legislation provided sufficient bond issuance authority to enable the Corporation to fulfill its role under the Debt Issuance Plan. The Corporation completed all of the capital financing which it was scheduled to undertake in the Debt Issuance Plan.

**Outstanding Debt of the Corporation**

From the period of the Corporation’s inception through December 31, 1984, the Corporation issued approximately $9.445 billion aggregate principal amount of bonds and notes for purposes of the $10 billion statutory issuance limit (which limit excludes all refunding obligations). After issuance of the Series 58 Bonds, and the refunding of the Series 28, 29 and 30 Bonds, the Corporation will have outstanding (excluding bonds that have been refunded) $6.491 billion aggregate principal amount of bonds issued under the Second General Bond Resolution and $1.665 billion aggregate principal amount of bonds issued under the First General Bond Resolution. The Second General Bond Resolution provides that all outstanding Second Resolution Bonds will be on a parity with each other, regardless of the date of issuance.

First Resolution Obligations have no claim on Per Capita Aid, which is a principal source of payment for the Second Resolution Bonds. First Resolution Obligations have a claim prior to that of Second Resolution Bonds on all amounts available to the Corporation from the Sales Tax and the Stock Transfer Tax. The Corporation has covenanted not to issue additional First Resolution Obligations if the maximum annual debt service payments on all First Resolution Obligations would exceed $425 million.

For additional information concerning the financial condition of the Corporation, see the unaudited financial statements of the Corporation for the nine months ended March 31, 1986, annexed hereto as Exhibit A, and “PART 21—FINANCIAL STATEMENTS.”

**PART 5—DEBT ISSUANCE PLAN**

In November 1978, the Corporation in conjunction with the City developed the Debt Issuance Plan to provide long-term financing for the City during the 1979 through 1982 fiscal years. The Debt Issuance Plan has been supplemented from time to time to include subsequent fiscal years and to adjust projections regarding the issuance of long-term obligations to the public and the City’s capital needs.
DEBT ISSUANCE PLAN
(Dollars in Millions)

Sources of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 1986</th>
<th>FY 1987</th>
<th>FY 1988</th>
<th>FY 1989</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to the Public of the Corporation’s Bonds(a)</td>
<td>$1,415</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$1,415</td>
</tr>
<tr>
<td>Sales to the Public of City Bonds (b)</td>
<td>1,150</td>
<td>1,318</td>
<td>1,346</td>
<td>1,462</td>
<td>5,276</td>
</tr>
<tr>
<td>Water and Sewer Revenue Financing (b)</td>
<td>400</td>
<td>284</td>
<td>443</td>
<td>522</td>
<td>1,649</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$2,965</td>
<td>$1,602</td>
<td>$1,789</td>
<td>$1,984</td>
<td>$8,340</td>
</tr>
</tbody>
</table>

Uses of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 1986</th>
<th>FY 1987</th>
<th>FY 1988</th>
<th>FY 1989</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Capital Improvements</td>
<td>$1,628</td>
<td>$1,806</td>
<td>$1,986</td>
<td>$2,104</td>
<td>$7,524</td>
</tr>
<tr>
<td>Refunding (c)</td>
<td>1,415</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,415</td>
</tr>
<tr>
<td>Total Uses (d)</td>
<td>$3,043</td>
<td>$1,806</td>
<td>$1,986</td>
<td>$2,104</td>
<td>$8,939</td>
</tr>
</tbody>
</table>

(a) Including $1,126 million of bonds sold to date in fiscal 1986 and the Series 58 Bonds.

(b) All such bonds scheduled to be sold in fiscal 1986 have been sold.

(c) All proposed refundings are subject to market conditions.

(d) Differences between Total Sources and Total Uses are a result of the deposit or withdrawal of funds held by the Corporation from the proceeds of sales of its bonds in prior fiscal years for use in fiscal year 1986 and thereafter or other sources, including primarily debt service savings resulting from the Corporation's refundings and advances from the City's general fund for capital purposes. The Sources of Funds reflects the principal amount of obligations issued and the Uses of Funds reflects the receipt of such moneys without giving effect to the costs of issuance.

The current Debt Issuance Plan is intended to provide financing for the City's capital needs, which the City currently projects to be approximately $1.6 billion to $2.1 billion during each of its 1986 through 1989 fiscal years. Substantial portions of the Debt Issuance Plan, including all the Corporation's financings for City capital expenses under the Plan, have been completed as scheduled in prior years. The Corporation may from time to time issue additional refunding obligations over and above those currently scheduled in the Debt Issuance Plan. The actual amount of the Corporation's refunding obligations to be issued during each fiscal year will depend upon market conditions and other factors.

In connection with the Debt Issuance Plan, the City issued an aggregate of $1.65 billion of Federally guaranteed bonds from fiscal 1978 through 1982. The Agreement to Guarantee providing for such Federal guarantees requires the City under certain circumstances to prepay such bonds beginning in its 1983 fiscal year according to a prescribed formula. The City has refunded all but $1 million of its Federally guaranteed bonds, and anticipates that all of its Federally guaranteed bonds will be repaid by August 15, 1986.

Approximately $1.075 billion in additional revenues is to be made available to the City during the fiscal years 1984 through 1988 if certain actions, which the Corporation agreed to undertake in a memorandum of agreement with the Governor and the Mayor dated March 30, 1984, are taken. These actions include (1) the issuance of $250 million of bonds for capital purposes under the Debt Issuance Plan, which has been completed; (2) the refundings then contained in the Debt Issuance Plan (which are projected to produce, subject to market conditions, debt service savings to the Corporation during the period covered by such Plan, resulting in increased revenues to the City of approximately $300 million), which have been completed; and (3) the Corporation making available to the City approximately $525 million out of earnings and releases from its funds. The City has agreed to utilize the moneys resulting from these actions as follows: approximately $550 million for capital purposes; approximately $365 million for economic development; and
approximately $160 million for operating purposes. To date, the Corporation has taken those actions necessary to make such additional revenues available to the City in accordance with the agreed schedule.

On April 2, 1986, the Corporation, the State and the City agreed to the availability and use of approximately $1.6 billion in additional revenues in the 1987 through 1995 fiscal years over and above the additional revenues covered by the March 1984 memorandum of agreement. Of the $1.6 billion, $602 million will come from earnings on the Corporation’s funds, $621 million will come from releases of excess moneys from the Corporation’s capital reserve funds, and $377 million will be derived from debt service savings resulting from refundings which have been completed. Such moneys will be applied as follows: $925 million for capital improvements for the New York City Transit Authority; $375 million for City operating purposes; and $300 million to redeem some of the Corporation’s outstanding bonds prior to maturity.

PART 6—PAYMENT OF THE BONDS

General

The Second Resolution Bonds are general obligations of the Corporation payable out of certain pledged revenues as well as any other available revenues of the Corporation. The Second Resolution Bonds are entitled to a first lien, created by the pledge under the Second General Bond Resolution, on all moneys and securities paid or deposited into the Corporation’s Bond Service Fund and Capital Reserve Aid Fund under the Second General Bond Resolution, which are held by United States Trust Company of New York, as Trustee. Such moneys and securities include the following:

(i) amounts derived from Per Capita Aid, less certain prior statutory claims, none of which has been asserted since the inception of the Corporation;

(ii) amounts derived from the Sales Tax and Stock Transfer Tax, after satisfying annual funding requirements for the Corporation’s outstanding First Resolution obligations and operating expenses of the Corporation;

(iii) amounts received from the State to replenish the Capital Reserve Aid Fund, see “Maintenance of Capital Reserve Aid Fund” in this PART 6; and

(iv) any interest or income earned on investments of amounts deposited into the Bond Service Fund and Capital Reserve Aid Fund.

The amounts described in (i) and (ii) above are paid to the Corporation from two special funds established by the Finance Law and held in the custody of the State Comptroller, the Municipal Assistance State Aid Fund and the Municipal Assistance Tax Fund, respectively. The Finance Law provides that the State Comptroller shall make payments from these special funds to the Corporation’s Bond Service Fund and Capital Reserve Aid Fund, in accordance with certificates of the Corporation setting forth the amount and timing of its cash requirements on a quarterly basis in order to deposit these amounts in advance of interest and principal payment dates and capital reserve funding dates. (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 is paid on an annual basis in June.) Payments of Sales Tax and Stock Transfer Tax revenues are made to the Corporation to meet requirements under the Second General Bond Resolution only to the extent such revenues are not needed to meet requirements under the First General Bond Resolution.

After the Corporation’s certified requirements have been satisfied in full for a particular quarter, excess moneys in such special funds are paid to the City. Stock Transfer Tax revenues not required by the Corporation are paid to a fund established to provide rebates of such Tax. Pursuant to the Finance Law, the State Comptroller may not disburse Sales or Stock Transfer Tax revenues or Per Capita Aid held by him to the City or any other entity so long as an amount certified by the Corporation as required to be paid by the date of disbursement to the City remains unpaid.
Payments to the Corporation by the State 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.

The holders of the Second Resolution Bonds do not have any lien on Per Capita Aid, Sales Tax or Stock Transfer Tax until the moneys derived therefrom are paid into the Corporation’s Bond Service Fund and Capital Reserve Aid Fund. The Act provides that 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 are executory only to the extent of the moneys available from time to time from such Aid and Tax sources and held by the State, 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 from such sources.

The Corporation currently holds substantial amounts of bonds of the City and will, as required by the Act, acquire substantial additional amounts of bonds in connection with providing capital financing for the City. Such obligations 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 Resolution. In certifying its requirements, the Corporation may not take into account any amounts payable on such City obligations but not yet received by the Corporation. However, the requirements for any fund may be reduced to the extent that such moneys are received and deposited into such fund of the Corporation.
The following chart illustrates the flow of money as described above:

1. Subject to appropriation by the State Legislature.
2. Upon certification by the Corporation.
3. And operating expenses of the Corporation.
4. After deduction of the amounts needed for First Resolution debt service and capital reserve funding and operating expenses.
5. After payment of all amounts certified by the Corporation and after payment of rebates of the Stock Transfer Tax. Amounts paid to the City are paid directly by the State.
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.

If the Corporation were to be authorized by State law to file a petition under Chapter 9 of the Federal Bankruptcy Code, and if it were to meet other conditions specified in such Chapter, the Corporation could file a petition for relief under Chapter 9 pursuant to which the Corporation's securities could be adjusted or modified. The Corporation is not now authorized by the State to file a Chapter 9 petition and the Corporation does not anticipate that it will seek such authorization or need the relief provided by Chapter 9.

**Appropriation by Legislature**

The Finance Law provides that the State Legislature shall appropriate Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation, and the Legislature has so appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for each of the State's fiscal years since the inception of the Corporation. The Corporation expects that the Legislature will continue to make such appropriations so long as the Corporation's bonds are outstanding. Under the State Constitution, however, the Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation.

The Corporation believes that any failure by the Legislature to make appropriations as expected would have a serious impact on the ability of the State and its agencies to raise funds in the public credit markets. See "PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE."

The State is not bound or obligated to continue payment of Per Capita Aid or to impose either the Sales Tax or the Stock Transfer Tax or to make any appropriations to the Corporation of the revenues received therefrom. The Second General Bond Resolution, however, provides that each of the following shall constitute an event of default with respect to the Second Resolution Bonds: (i) the failure of the State to continue to pay Per Capita Aid, as the laws relating to Per Capita Aid may be amended, or a reduction by the State of the amount of Per Capita Aid payable during any fiscal year to an amount less than the maximum annual debt service payable on the outstanding Second Resolution Bonds; (ii) the failure of the State to continue the imposition of either the Sales Tax or the Stock Transfer Tax, each imposed by the Tax Law, as such Law may be amended, or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975; or (iii) the failure of the State Comptroller to pay to the Corporation the amounts certified by the Corporation.

The Finance Law provides that in no event shall the State Comptroller pay over and distribute to the City or any other entity other than the Corporation any Sales or Stock Transfer Tax revenues or Per Capita Aid held in the special funds (other than for State administrative charges), unless and until the aggregate of all cash required by the Corporation at the date of such distribution has been appropriated and has been paid to the Corporation.

Provisions of the State Constitution and the Finance Law require the setting aside of the first revenues received that are applicable to the State's General Fund if the State Legislature fails to make an appropriation for the payment of State indebtedness. Although the Sales Tax and the Stock Transfer Tax are revenues of the State, they are applicable to special funds, rather than the State's General Fund. Consequently, under existing law, the provisions requiring money to be set aside to pay State obligations would not apply to the Sales Tax and Stock Transfer Tax. However, Per Capita Aid is apportioned and paid from the State's General Fund and may be subject to being set aside to pay State obligations in the event the State fails to pay such obligations.
Per Capita Aid

Per Capita Aid consists of revenues that would otherwise be paid to the City as the City's share of the State's general revenue sharing program for localities throughout the State. 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 apportionment of general revenue sharing among localities is based on a statutory formula which takes into account the distribution of the State's population, the total assessed valuation of real property taxable within the State, personal income, and other factors. Both the determination of the amount of statewide general revenue sharing and the apportionment of such revenue sharing among localities are legislative acts and the Legislature may amend or repeal the statutes relating to statewide general revenue sharing and the formulas which determine the amount of Per Capita Aid payable to the Corporation. 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. However, certain of such acts by the Legislature would be events of default under the Second General Bond Resolution, see "Appropriation by Legislature" in this Part 6. The financial condition of the State may affect the amount of Per Capita Aid appropriated by the Legislature.

The following table, which presents 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 1977, payable to the Corporation, for the last ten fiscal years of the City.

<table>
<thead>
<tr>
<th>PER CAPITA AID</th>
<th>(Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$434,311(a)</td>
</tr>
<tr>
<td>1978</td>
<td>434,324(a)</td>
</tr>
<tr>
<td>1979</td>
<td>481,569(b)</td>
</tr>
<tr>
<td>1980</td>
<td>484,036(c)</td>
</tr>
<tr>
<td>1981</td>
<td>484,037(c)</td>
</tr>
</tbody>
</table>

(a) Reflects State's ceiling on Per Capita Aid payments at the 1976 level, with certain minor modifications applicable to 1978 payments.
(b) Does not include $49.276 million paid in October 1978.
(c) Reflects State's ceiling on aid to localities.
(d) Amount expected to be paid on or before June 30, 1986.

Sales Tax

The Sales Tax is imposed within the City at the rate of 4% on receipts from most retail sales of tangible personal property and certain services and at the rate of 6% on receipts from parking, garaging or storing motor vehicles in the City. The Sales Tax is in addition to the 4% sales and compensating use taxes levied statewide and the 1/4 of 1% sales and compensating use tax levied in the regions served by the Metropolitan Transportation Authority. The Sales Tax is subject to certain limited exceptions, exemptions and exclusions. Under the Finance Law, the Sales Tax is paid into a special fund held by the State Comptroller on a monthly basis.

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.
Collections of the Sales Tax and the sales and compensating use taxes previously imposed by the City have increased in each of the last ten years, although the primary cause of the growth of Sales Tax collections in recent years has been inflation. 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 City has 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.

The following table sets forth State collections of the sales and compensating use taxes imposed by the State since July 1, 1975, on a quarterly basis for the last ten fiscal years of the City, after deductions of the costs of administration, collection and distribution. Footnotes to the tables detail changes in law and administrative procedures affecting the collection and distribution of the Sales Tax which are important to an understanding of the tables.

**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>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
<td>December 31</td>
<td>March 31</td>
<td>June 30</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976(b)</td>
<td>$194,560</td>
<td>$193,690</td>
<td>$247,203</td>
<td>$167,155</td>
<td></td>
<td>$802,608</td>
</tr>
<tr>
<td>1977</td>
<td>215,794</td>
<td>210,383</td>
<td>248,927</td>
<td>183,280</td>
<td></td>
<td>858,384</td>
</tr>
<tr>
<td>1978</td>
<td>221,815</td>
<td>232,291</td>
<td>274,585</td>
<td>190,044</td>
<td></td>
<td>918,735</td>
</tr>
<tr>
<td>1979</td>
<td>232,732</td>
<td>239,852</td>
<td>317,400</td>
<td>208,750</td>
<td></td>
<td>998,734</td>
</tr>
<tr>
<td>1980</td>
<td>253,974</td>
<td>283,540</td>
<td>357,270</td>
<td>241,764</td>
<td></td>
<td>1,136,548</td>
</tr>
<tr>
<td>1981</td>
<td>293,581</td>
<td>313,990</td>
<td>413,179</td>
<td>273,324</td>
<td></td>
<td>1,294,074</td>
</tr>
<tr>
<td>1982</td>
<td>329,950</td>
<td>349,041</td>
<td>433,782</td>
<td>288,566</td>
<td></td>
<td>1,401,339</td>
</tr>
<tr>
<td>1983</td>
<td>338,727</td>
<td>373,836</td>
<td>387,483</td>
<td>388,897</td>
<td></td>
<td>1,488,943</td>
</tr>
<tr>
<td>1984</td>
<td>377,560</td>
<td>398,725</td>
<td>449,985</td>
<td>426,509</td>
<td></td>
<td>1,652,779</td>
</tr>
<tr>
<td>1985</td>
<td>414,663</td>
<td>433,959</td>
<td>458,324</td>
<td>480,416</td>
<td></td>
<td>1,787,362</td>
</tr>
<tr>
<td>1986</td>
<td>428,641</td>
<td>459,647</td>
<td>507,902</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

(a) Commencing March 1976, quarterly collections were distributed to localities based on historical collection data. Commencing June 1980, quarterly collections are distributed to localities based on historical collection and current unverified vendor data. Subsequent quarterly distributions to localities are adjusted to compensate for over distributions or under distributions when data on actual collections by locality are available. Such adjustments are reflected in the table for the quarter in which the subsequent distributions are made. Since March 1976, adjustments have ranged from $41,255 to $19.3 million to reflect over distributions for certain prior periods and from $116,971 to $12.3 million to reflect under distributions for other prior periods. Periods subsequent to June 1985 remain subject to the ongoing process of adjustment.

(b) Commencing March 1976, certain large vendors (those with taxable receipts of $300,000 or more in any quarter of the preceding four quarters) are required to prepay in March estimated amounts of Sales Tax liability for March in addition to filing their normal quarterly reports for the December-February quarter. Any adjustments necessary to reflect actual amounts of Sales Tax liability for the month of March are reflected in the June collection figures.
Stock Transfer Tax

The Stock Transfer Tax is imposed at rates ranging from 1 1/4¢ to 5¢ (based on the selling price per share) on sales, agreements to sell, memoranda of sale and deliveries or transfers made within the State of shares or certificates of stock and certain other certificates. The imposition of the Stock Transfer Tax is subject to certain limited exceptions and is subject to a maximum tax of $350 on any taxable transaction which involves a sale on a single day of shares or certificates of the same class issued by the same issuer.

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 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.

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 last ten fiscal years of the City, based upon the various rates prevailing and types of transactions taxable during the periods shown:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Three Months Ended:</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
<td>December 31</td>
</tr>
<tr>
<td></td>
<td>(Dollars in thousands)</td>
<td></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</td>
<td>112,478(a)</td>
<td>93,648</td>
</tr>
<tr>
<td>1980</td>
<td>107,772</td>
<td>106,211</td>
</tr>
<tr>
<td>1981</td>
<td>146,066</td>
<td>182,600</td>
</tr>
<tr>
<td>1982</td>
<td>131,039</td>
<td>140,816</td>
</tr>
<tr>
<td>1983</td>
<td>163,745</td>
<td>249,295</td>
</tr>
<tr>
<td>1984</td>
<td>247,247</td>
<td>241,706</td>
</tr>
<tr>
<td>1985</td>
<td>235,580</td>
<td>231,066</td>
</tr>
<tr>
<td>1986</td>
<td>274,239</td>
<td>319,102</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.

In 1977, the State enacted a program of gradually increasing rebates for all Stock Transfer Tax payers. Rebates began October 1, 1977 with respect to transactions by non-residents subject to tax and began October 1, 1979 with respect to transactions by residents. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the Stock Transfer Tax at the above-stated rates and that revenues are to 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 obligations, such revenues are available on a quarterly basis for payment of rebates.

To date, the Corporation has not found it necessary to use the revenues derived from 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 these revenues in the future, although no assurance can be given that they will not be so required. See “PART 7—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.” If the Corporation were to require a substantial portion of the Stock Transfer Tax revenues otherwise subject to rebate, the resulting reduction in the amounts available for rebate could have an adverse effect upon the New York securities industry.

**Capital Reserve Aid Fund**

The Act requires the Capital Reserve Aid Fund to be at a level not less than 100% of the amount of debt service payable in the succeeding calendar year on any Second Resolution Bonds then to be issued and on all other Second Resolution Bonds outstanding on the date of calculation. Payments are to be made by the State, subject to appropriation by the Legislature, to the Capital Reserve Aid Fund if for any reason (including a payment from such Fund to the Bond Service Fund to make up a deficiency in the Bond Service Fund) the Capital Reserve Aid Fund falls below the required level. The amount of any such payment, if required, is to be in accordance with a certificate of the Corporation stating the sum, if any, required to restore the Capital Reserve Aid Fund to the required level.

The provision of the Act referred to above does not constitute an enforceable obligation or debt of the State and no moneys may be paid to the Corporation pursuant thereto absent an appropriation by the Legislature. See “Appropriation by Legislature” in this PART 6.

As of March 31, 1986, the fund contained $863.3 million and such fund is currently funded at an amount not less than the required level with securities valued in accordance with the requirements of the Act (which may differ from the market value of such securities). See Notes 2 and 4 to the financial statements of the Corporation contained in Exhibit A.

Moneys in the Capital Reserve Aid Fund may not be withdrawn at any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service payable on the Second Resolution Bonds in the succeeding calendar year, except for the purpose of paying debt service on such Bonds if other moneys of the Corporation are not available. The Corporation has not found it necessary to use moneys in the capital reserve funds to pay debt service on any of its bonds.

As a result of the refunding of the Series 28, 29 and 30 Bonds and the issuance of the Series 58 Bonds, approximately $14.9 million will be released from the Capital Reserve Aid Fund. Giving effect to such release, the Capital Reserve Aid Fund will continue to be funded at not less than the required level under the Act.
PART 7—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS

In order to estimate coverage ratios for the Second Resolution Bonds that will be outstanding, the Corporation has assumed certain amounts of Per Capita Aid and 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 estimated the amounts of the following potential claims and liabilities on Per Capita Aid that are payable prior to the payment of Per Capita Aid to the Corporation, although since the inception of the Corporation no such claims have been asserted.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amounts in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Capita Aid available to the Corporation during the Corporation’s 1986 fiscal year</td>
<td>$512,092</td>
</tr>
<tr>
<td>Less annual potential claims and liabilities:</td>
<td></td>
</tr>
<tr>
<td>(a) City University Construction Fund (“CUCF”).</td>
<td>$70,501</td>
</tr>
<tr>
<td>Amounts equal to 50% of CUCF’s share of certain State Dormitory Authority debt service and other expenses would be a claim against Per Capita Aid if not paid by the City to CUCF. The Corporation has been informed by CUCF that such debt service and other expenses are approximately $141 million during its current fiscal year. State law permits a maximum claim of $65 million in any fiscal year of the City*</td>
<td></td>
</tr>
<tr>
<td>(b) New York City Housing Development Corporation (“HDC”).</td>
<td>$24,118</td>
</tr>
<tr>
<td>Amounts required to restore the HDC capital reserve funds to the amount required to be on deposit in such funds would be a claim against Per Capita Aid if not otherwise paid. The Corporation has been informed by HDC that the aggregate capital reserve fund requirements on all outstanding bonds of HDC as of this date is approximately $24.1 million. State law currently permits a maximum claim of $30 million in any fiscal year</td>
<td></td>
</tr>
<tr>
<td>(c) New York City Police Pension Fund.</td>
<td>$500 $95,119</td>
</tr>
<tr>
<td>Amounts due annually from Per Capita Aid to the Trustees of the City Police Pension Fund</td>
<td></td>
</tr>
<tr>
<td>Adjusted Per Capita Aid</td>
<td>$416,973</td>
</tr>
</tbody>
</table>

* Although State law purports to limit claims on Per Capita Aid, such limitation may not be effective in the event that the then outstanding bonds of the State Dormitory Authority 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 percent of such principal amount, have a prior claim on Per Capita Aid. The Dormitory Authority has outstanding $1.2 billion in such bonds. The State has, however, enacted legislation under which it commits, subject to annual appropriation, to reimburse the City for a portion of the CUCF share of the Dormitory Authority’s debt service. The portion increased to 100% in the City’s 1983 fiscal year with respect to debt issued for senior colleges.
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 March 31, 1986, see “PART 6—PAYMENT OF THE BONDS—Sales Tax” and “Stock Transfer Tax”, and operating expenses of the Corporation are $10.7 million (the estimate for the 1986 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>Description</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections for the 12 months ended March 31, 1986</td>
<td>$1,876,606</td>
</tr>
<tr>
<td>Stock Transfer Tax collections for the 12 months ended March 31, 1986</td>
<td>$1,232,455</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$3,109,061</td>
</tr>
<tr>
<td>Less: Operating expenses of Corporation</td>
<td>$10,700</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
<td>$3,098,361</td>
</tr>
</tbody>
</table>

Debt Service Requirements and Estimated Coverage Ratios

As shown above, Adjusted Per Capita Aid is approximately $417 million and Aggregate Sales and Stock Transfer Taxes are approximately $3,098 million, for a total of $3,515 million.

The following table shows the aggregate annual debt service payment requirements on the First Resolution obligations which have a prior claim to that of the Second Resolution Bonds on the Sales and Stock Transfer Taxes. The Series 58 Resolution and certain other resolutions include a covenant by the Corporation that it will not issue any 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 obligations).

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 Series 58 Bonds and the refunding of the Series 28, 29 and 30 Bonds. The table also shows the coverage of aggregate annual debt service on Second Resolution Bonds by 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 Obligations.

There is no assurance 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 Series 58 Resolution and the Act.
### Debt Service Payment Requirements and Estimated Coverage Ratios

*(after issuance of the Series 58 Bonds and giving effect to the refunding of the Series 28, 29 and 30 Bonds)*

(Dollars in thousands)

<table>
<thead>
<tr>
<th>12-Month Period Ended</th>
<th>Total Debt Service Payment Requirement on First Resolution Obligations (a)</th>
<th>Debt Service Payment Requirements on Second Resolution Bonds</th>
<th>Estimated Coverage Ratios on Second Resolution Bonds—All Revenues after deducting Debt Service on First Resolution Obligations (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>124,855</td>
<td>160,830</td>
<td>522,144 682,974 4.96</td>
</tr>
<tr>
<td>1988</td>
<td>224,855</td>
<td>240,165</td>
<td>527,936 768,101 4.28</td>
</tr>
<tr>
<td>1989</td>
<td>292,355</td>
<td>269,275</td>
<td>507,557 776,832 4.15</td>
</tr>
<tr>
<td>1990</td>
<td>289,230</td>
<td>286,065</td>
<td>485,175 771,240 4.18</td>
</tr>
<tr>
<td>1991</td>
<td>300,355</td>
<td>308,785</td>
<td>460,941 769,726 4.18</td>
</tr>
<tr>
<td>1992</td>
<td>264,605</td>
<td>318,255</td>
<td>435,258 753,513 4.31</td>
</tr>
<tr>
<td>1993</td>
<td>255,355</td>
<td>334,270</td>
<td>408,577 742,847 4.39</td>
</tr>
<tr>
<td>1994</td>
<td>335,730</td>
<td>194,740</td>
<td>386,764 581,504 5.47</td>
</tr>
<tr>
<td>1995</td>
<td>343,718</td>
<td>221,345</td>
<td>369,244 590,589 5.37</td>
</tr>
<tr>
<td>1996</td>
<td></td>
<td>252,920</td>
<td>349,023 601,943 5.84</td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td>260,565</td>
<td>327,099 587,664 5.98</td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td>213,620</td>
<td>307,078 520,698 6.75</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td>225,690</td>
<td>288,516 514,206 6.84</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td>262,860</td>
<td>267,785 530,645 6.62</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td>239,670</td>
<td>246,199 485,869 7.24</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>265,395</td>
<td>224,131 489,526 7.18</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>297,000</td>
<td>199,412 496,412 7.08</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>313,940</td>
<td>172,535 486,475 7.23</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>322,235</td>
<td>144,665 466,900 7.53</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>341,640</td>
<td>115,715 457,355 7.69</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>362,955</td>
<td>85,109 448,064 7.85</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>385,825</td>
<td>52,595 438,420 8.02</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>412,560</td>
<td>17,910 430,470 8.17</td>
</tr>
</tbody>
</table>

(a) Includes Sinking Fund Installments

* These debt service amounts and coverage ratios are based upon interest rates for the Series 58 Bonds estimated solely for purposes of this preliminary Official Statement. The actual interest rates, debt service and coverage ratios may vary. Such variations, which are not expected to be material, will be reflected in the final Official Statement.

All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on all First and Second Resolution obligations, shown in the table above for the fiscal years 1987 through 2009, ranging from a low of 3.29 times in 1989 and 1991 to a high of 8.17 times in 2009 and such coverages average approximately 5.75 times.
In addition to the aggregate debt service payments with respect to the First Resolution obligations 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, which Fund is currently funded at not less than the required level.

PART 8—CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although bonds of the Corporation are not obligations of the State, financial developments with respect to the State may affect the market for or market prices of the Corporation's securities and the sources of payment for the Corporation's securities. As described under "PART 6—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 the Sales Tax and, in certain circumstances, 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 the inception of the Corporation, 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 in the future may be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City.

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 has historically 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. 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 among the highest in the nation. The existence of this tax burden limits the State's ability to impose higher taxes in the event of future financial difficulties.

Recently, the State has been relatively successful in bringing 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 tax increases at both levels of government.

The burden 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. Certain manufacturing facilities have relocated to other states. This trend has been partially offset by the location of some new manufacturing facilities in the State and by expansion of existing facilities in the State. While no sustained reversal of the State's relative economic position has been projected, the actions taken to date, in combination with many other causes of regional economic changes, have slowed this trend. During calendar years 1982 and 1983, the State's economy in most respects performed better than that of the nation. However, in calendar year 1984, the State's rate of economic expansion was somewhat slower than that of the nation, and preliminary data indicate that this pattern continued in calendar year 1985. The State unemployment rate dipped below the national rate in the second half of calendar year 1981 and has generally remained lower since that time.
Financial Developments—Fiscal Years 1975-1986

During the mid-1970's, some of the State's public benefit corporations (the "Authorities") and municipalities (in particular, the City) faced extraordinary financial difficulties, which affected the State's own financial condition. In response to these financial problems, the State developed and implemented programs which were largely successful in addressing such problems. The State's experience has been that if the Authorities or municipalities suffer serious financial difficulties, both the ability of the State, Authorities and municipalities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected.

For its 1981 and 1982 fiscal years, the State achieved balanced budgets with receipts and disbursements on a cash basis of $15.2 billion and $16.8 billion, respectively.

Although the General Fund in the State's financial plan for its 1983 fiscal year was balanced when formulated in May 1982, the State incurred a cash basis operating deficit of $561 million in such fiscal year. The deficit was caused, in part, by a reduction in receipts due to the failure of the national and State economies to recover from the recent recession at the time assumed in the original budget projections, the actions of the Legislature in mandating, over the Governor's veto, certain additional disbursements and the failure of the Legislature to enact certain proposals designed to prevent diversion of General Fund receipts to support mass transit. These unfavorable developments were, in part, offset by available reserves in the original financial plan for such fiscal year, higher than projected lottery receipts, and a series of expenditure control actions. The State financed this cash basis operating deficit through the issuance of $500 million in tax and revenue anticipation notes and through the use of available General Fund balances. The State completed its 1984, 1985 and 1986 fiscal years with its General Fund Financial Plan balanced on a cash basis.

On July 23, 1985, the Comptroller reported the State's comprehensive (all funds) financial position as of March 31, 1985 and operating results, which have been audited by independent certified public accountants, for the State's 1985 fiscal year in accordance with GAAP. When reported in accordance with GAAP, the State's governmental funds group shows a net operating deficit of $26 million for the 1985 fiscal year. This net operating deficit reflects an operating deficit in the General Fund of $106 million, partially offset by operating surpluses in Special Revenue, Capital Projects and Debt Service Fund types of $57 million, $6 million and $17 million, respectively.

The State's combined balance sheet at March 31, 1985, which has been audited by independent certified public accountants, reflects an accumulated deficit, on a GAAP basis, in the State's governmental funds in the amount of $3.425 billion. This deficit includes accumulated deficits in the General Fund and Capital Projects Fund types of $4.437 billion and $46 million, respectively, and surpluses of $304 million and $754 million in Special Revenue and Debt Service Fund types, respectively.

Program for the 1987 Fiscal Year

The State's General Fund cash-basis projections for the 1987 fiscal year show anticipated receipts of $24.630 billion, an increase of $1.769 billion (7.7%) over total receipts in the State's 1986 fiscal year. Total General Fund disbursements in the 1987 fiscal year are projected to be $23.400 billion, and the year-end balance in the General Fund is required by law to be increased by $16 million to restore to $169 million the fund balance depleted in prior years. The projection of disbursements reflects an increase of $1.649 billion (7.6%) over the total amount disbursed in the State's 1986 fiscal year. In addition, the General Fund for the State's 1987 fiscal year includes operating transfers from other governmental funds of $159 million and operating transfers to other governmental funds of $1.373 billion.

The following discussion describes the 1987 State Financial Plan as formulated on April 6, 1986. The State's governmental fund types account for substantially all State nonpension financial operations. Governmental funds include the General Fund, which receives all income not required by law to be deposited
in another fund, or approximately 66% of total governmental fund receipts exclusive of interfund transfers; Special Revenue Funds, the use of the income of which is legally restricted to certain purposes, which account for 29% of total governmental fund receipts; the Capital Projects Funds, used to finance the acquisition and construction of major capital facilities by the State and to aid in such projects conducted by local governments or public authorities, which account for 2% of governmental fund receipts, and Debt Service Funds, used as depositories for funds to be used to pay the principal of and interest on long-term debt and lease purchase and other commitments, which comprise 3% of governmental fund receipts.

Taxes account for 94% of the State's General Fund receipts which are expected to total $24.630 billion in the State's 1987 fiscal year, with the balance made up of miscellaneous receipts and certain Federal grants.

Major components of the State's tax structure include:

(i) The personal income tax, imposed on the income of individuals, estates and trusts at rates ranging from 2% on the first $1,000 to 13.5% on amounts in excess of $26,000 on New York taxable income (determined by making several adjustments to Federal adjusted gross income). The maximum rate on personal service or earned income, however, is 9.5% on amounts of such income in excess of $16,000. Legislation enacted in 1985 will reduce the maximum tax rate to 13% during calendar year 1987. The maximum rate on earned income will be reduced to 9% by 1987. Receipts from this tax accounted for 53% of General Fund tax receipts in the State's 1985 and 1986 fiscal years and are projected to account for 54% of General Fund tax receipts in the State's 1987 fiscal year.

(ii) User taxes and fees, the largest of which is the State sales and use tax. This tax, imposed at a statewide rate of 4%, applies to the sale or use within the State of most tangible personal property, commercial and industrial utility service billings, charges for meals, hotel and motel occupancy and admissions charges, as well as certain services. Sales and use tax receipts accounted for 20% and 21% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to account for 21% of General Fund tax receipts in the State's 1987 fiscal year. Also included in this category are receipts from tax on the sale, generally for highway use, of gasoline (8 cents per gallon) and diesel fuel (10 cents per gallon); a tax on the sale of cigarettes (21 cents per pack); a tax, at varying rates, on liquor, beer, wine and other beverages; two highway use taxes; motor vehicle registration and operators' license fees; and fees for permits to manufacture, distribute or sell alcoholic beverages in the State. Receipts from these levies accounted for 8% and 7% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to account for 7% of total General Fund tax receipts during the State's 1987 fiscal year.

(iii) Business taxes, which include a general business corporation franchise tax as well as specialized income taxes on banks and insurance companies and gross receipts taxes on utilities, transportation and transmission companies, and businesses engaged in the sale or importation for sale of petroleum products accounted for 15% and 14% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to yield 13% of General Fund tax receipts during the State's 1987 fiscal year. The general business tax is imposed at a rate of 10% on an allocated portion of entire net income, determined by making several adjustments to Federal taxable income, the most significant of which is that for property other than property placed in service in New York State in taxable years beginning after 1984, the "accelerated" portion of depreciation deductions allowed under the Federal accelerated cost recovery program is disallowed. Receipts from this tax are expected to account for approximately 48% of all business taxes in the State's 1987 fiscal year.

(iv) Other taxes, including taxes on pari-mutuel wagering, estate and gift taxes, a special 10% tax on the gain from the sale of certain real estate where the consideration exceeds $1 million and certain other minor taxes. Receipts from these sources accounted for 4% and 5% of General Fund tax receipts in the State's 1985 and 1986 fiscal years, respectively, and are projected to total 5% of General Fund tax receipts in the State's 1987 fiscal year.
Miscellaneous receipts, accounting for $1.340 billion in projected 1987 General Fund receipts include investment income, a variety of fees and assessments, abandoned property collections and other varied sources. Federal grants in the General Fund, projected at $90 million for the State's 1987 fiscal year, principally reflect Federal reimbursement for the operating costs of the Department of Transportation.

General Fund disbursements for the State's 1987 fiscal year are projected to total $23.400 billion. Grants to local governments, projected at $15.356 billion for the State's 1987 fiscal year and the largest category of General Fund disbursements, accounted for 62% and 64% of General Fund disbursements in the State's 1985 and 1986 fiscal years, respectively, and are projected to account for approximately 66% of total General Fund disbursements in the State's 1987 fiscal year. In the State's 1987 fiscal year, aid to elementary, secondary and higher education accounts for 50% within this category. Social services expenditures, including Medicaid and income maintenance, account for 30%. Other local assistance programs include State revenue sharing, aid for health and environmental quality, drug abuse control, transportation and other governmental services.

State operations spending, projected at $6.156 billion for the State's 1987 fiscal year, accounted for 28% and 27% of General Fund disbursements in the State's 1985 and 1986 fiscal years, respectively, and is projected to account for 26% of General Fund disbursements during the State's 1987 fiscal year. Such operations spending includes payment of salaries, operation of the State University system and State courts, maintenance of State mental hygiene, health and correctional facilities and other general operational costs. Personal service costs account for approximately two-thirds of projected disbursements in this category.

General State charges accounted for 8% of General Fund disbursements in the State's 1985 and 1986 fiscal years and are projected to account for 7% of total General Fund disbursements in the State's 1987 fiscal year. They include contributions to pension systems, the employer's share of social security contributions, medical and death benefits for State employees and retirees and other fringe benefits, including employee benefit funds. They also include payments of judgments against the State and payments in lieu of taxes.

Disbursements for interest payments on the State's short-term tax and revenue anticipation notes and bond anticipation notes which are made directly from the General Fund accounted for 1% of General Fund disbursements in the State's 1985 and 1986 fiscal years and are projected to account for 1% of total General Fund disbursements in the State's 1987 fiscal year.

Other financing sources and uses in the 1987 State Financial Plan include operating transfers from and to other funds. This category of receipts and disbursements results from the adoption of a GAAP-based funds classification by the State.

Transfers from other funds to the General Fund arise when certain moneys received in other governmental funds that are not legally required to be spent are transferred to the General Fund or when reimbursement of certain spending from the General Fund occurs. The largest transfer to the General Fund represents Federal reimbursements for the administrative expenses of the Department of Social Services. Transfers from other funds to the General Fund were $134 million and $140 million during the State's 1985 and 1986 fiscal years, respectively, and are projected at $159 million for the State's 1987 fiscal year.

Transfers to other funds from the General Fund principally reflect transfers to Debt Service Funds to meet the State's general obligation debt service requirements and certain lease-purchase payments and to Capital Projects Funds to finance a portion of the State's capital construction program. Transfers to other funds from the General Fund totalled $1.500 billion and $1.199 billion in the State's 1985 and 1986 fiscal years, respectively, and are projected at $1.373 billion during the State's 1987 fiscal year.
Federal grants are projected to account for 81% of the $10.551 billion in total projected receipts in Special Revenue Funds in the State's 1987 fiscal year. Approximately 86% of the Federal Funds received in this fund type are on account of Medicaid, income maintenance and associated social services, education and health programs. The balance represents grants for specific programs primarily in environmental conservation and labor-related functional categories.

Tax revenues account for 4% of receipts in the Special Revenue Funds, virtually all of which are dedicated to the support of mass transportation service throughout the State. The projection of tax receipts in this fund type assumes the expiration of the business tax surcharges in the Metropolitan Transportation Authority region as scheduled on December 31, 1986. Miscellaneous receipts, largely fees and other charges, the proceeds of which are dedicated to the support of specific programs, account for the balance of receipts in these funds.

Disbursements from Special Revenue Funds are projected at $11.325 billion for the State's 1987 fiscal year. Disbursements for grants to local governments from this fund group, projected at $8.342 billion, are primarily for the Federal share of Medicaid and other social services programs, school lunch and breakfast programs and assistance for transportation and mass transportation programs. Disbursements for State operations and general State charges, projected at $2.964 billion, primarily reflect the operating costs of the State University of New York and the Departments of Health and Mental Hygiene that are supported by tuition, room rental and other fees and charges for patient care.

Operating transfers from other funds to Special Revenue Funds, totalling $1.719 billion, primarily represent the movement of income generated by the Mental Hygiene Agencies, the State University and the Department of Health in excess of lease-purchase disbursements to these agencies' operating accounts. The $882 million in operating transfers to other funds from Special Revenue Funds consist primarily of reimbursements for General Fund operating costs of the Department of Social Services and the payment of Medicaid and other fees and charges for patient care.

Federal grants for capital projects, largely highway-related, are projected to account for 71% of the $721 million in total projected receipts, exclusive of transfers and bond proceeds, in Capital Projects Funds in the State's 1987 fiscal year, while miscellaneous revenues, mainly repayments from public authorities and localities of advances made by the State, are projected to account for 29%. The projection of miscellaneous receipts in the Capital Projects Funds assumes the receipt of approximately $100 million in reimbursements from the New York State Urban Development Corporation ("UDC") and the New York State Thruway Authority ("Thruway Authority") from the sale of their bonds and notes. The legislation authorizing UDC to issue bonds and enter into a lease-purchase arrangement with the State is the subject of pending litigation. To the extent these receipts are not realized in the State's 1987 fiscal year, additional disbursements from the General Fund would be required to support ongoing programs.

Total disbursements from Capital Projects Funds are projected at $1.899 billion during the State's 1987 fiscal year, 66% of which is for various transportation and mass transportation programs, 6% of which is for programs of the Department of Correctional Services and the Division for Youth, 6% of which is for health and mental hygiene programs, 7% of which is for environmental and recreational programs, 7% of which is for housing and economic development programs, and 6% of which is for educational programs. The balance (2%) will be disbursed for maintenance of State office facilities and various other capital programs.

Spending from Capital Projects Funds is also supported by operating transfers from other funds. Approximately 98% of such transfers come from the General Fund. The proceeds from the issuance of the State's general obligation bonds are also received in Capital Projects Funds. The State anticipates the sale for
capital financing purposes of $475 million of its general obligation bonds and bond anticipation notes during its 1987 fiscal year.

Miscellaneous revenues, largely tuition and charges associated with the State University system and third-party payments for care of those served in State mental hygiene facilities, are projected to account for 97% of the $1.227 billion in total projected receipts in Debt Service Funds in the State's 1987 fiscal year. Pursuant to applicable bond covenants, this revenue is initially pledged to support bonds issued to finance State University and mental hygiene facilities. These funds also receive minor amounts of Federal grants and earmarked motor fuel tax receipts that are also pledged to debt service requirements.

Total disbursements from Debt Service Funds are expected to total $954 million during the State's 1987 fiscal year. Of this total approximately 52% reflects payment of debt service on State general obligation debt and the balance reflects lease-purchase and other contractual obligation payments for State office facilities, State University, Health and Mental Hygiene facilities and certain other commitments.

Operating transfers from other funds to Debt Service Funds are projected to total $1.384 billion in the 1987 State Financial Plan, approximately 44% of which represents transfers from the General Fund for payment of debt service on general obligation debt and lease-purchase and contractual-obligation payments. The balance of such transfers represents Medicaid reimbursements attributable to the debt service fund of the Department of Mental Hygiene. Operating transfers to other funds from Debt Service Funds in the 1987 State Financial Plan projected at $1.694 billion principally include the transfer of receipts in excess of lease-purchase obligations that can be used to offset a portion of the operating costs of the Department of Health, the Office of Mental Health, the Office of Mental Retardation and Developmental Disabilities, and the State University.

In accordance with State law, the 1987 Executive Budget presented a summary financial plan for the State's 1987 fiscal year for the four governmental funds prepared in accordance with GAAP. That plan included an operating surplus on a GAAP basis for the General Fund. The State is also required to prepare a summary financial plan for the four governmental funds on a GAAP basis for the State's 1987 fiscal year as soon as practicable after the formulation of the 1987 State Financial Plan. Based upon the appropriations bills and revenue measures enacted by the Legislature, the State Division of the Budget has made a preliminary projection that this plan will include an operating surplus in the General Fund on a GAAP basis for the State's 1987 fiscal year.

The 1987 State Financial Plan is based upon levels of Federal spending in excess of those in the President's proposed Federal budget for the Federal fiscal year commencing October 1, 1986. If the spending reductions in the President's proposed budget should be enacted as proposed, the direct adverse impact on the 1987 State Financial Plan, principally in increased disbursements for the State's share of Medicaid payments and the costs of other social service programs, is expected to be between $140 million and $160 million occurring during the last six months of the State's 1987 fiscal year. Adoption of the proposed Federal spending reductions would, however, have a more adverse impact upon the State's localities and its taxpayers and could result in requests from localities for increased assistance from the State. It is not certain whether the 1987 Federal budget, which must be adopted by the Congress, will be enacted as proposed by the President. A concurrent Congressional budget resolution was required to be adopted by both Houses of Congress by April 15, 1986. Such a resolution has not yet been adopted. If adopted, this budget resolution might contain some, all or none of the spending reductions proposed by the President. There can be no certainty that such budget resolution will form the basis for the budget for the Federal fiscal year commencing October 1, 1986.

The Federal Balanced Budget and Emergency Deficit Control Act of 1985 ("Gramm-Rudman") requires a balanced Federal budget by Federal fiscal year 1991. In accordance with this act, a 4.3% reduction
in spending for Federal programs has been put into effect for the period from March 1 through September 30, 1986. The validity of this reduction has been successfully challenged in court but has been stayed pending appeal to the United States Supreme Court. If the Federal budget for the fiscal year commencing October 1, 1986 does not meet the deficit reduction targets of Gramm-Rudman, the legislation would require further reductions in spending for Federal programs to take place after September 30, 1986. Based on a review of the Federal programs affected by Gramm-Rudman’s provisions, the State projects a negligible impact on the 1987 State Financial Plan. Similarly, the deferrals for Federal fiscal year 1986 as proposed by the President in his 1987 budget would have a negligible impact on the 1987 State Financial Plan.

In addition to the direct impacts discussed above, as with any Federal legislation which substantially alters Federal fiscal policy, Gramm-Rudman could have an indirect effect on the State through its impact on the overall economy. The 1987 State Financial Plan is based on an economic outlook that assumes strong real economic growth and relatively low inflation rates. Underlying this forecast are the policy assumptions that although the Gramm-Rudman deficit targets will not be fully achieved, substantial cuts will be made in the 1986-87 Federal deficit, and that the Federal Reserve will provide an accommodative monetary policy to offset the relatively tight fiscal policy. If these assumptions do not materialize, the results projected in the 1987 State Financial Plan may not be achieved. Gramm-Rudman could have an adverse impact on the State’s localities.

On November 10, 1982, Standard & Poor’s Corporation reduced its rating on the general obligation bonds of the State from AA— to A—, citing the State’s continued use of one-time revenues, increased use of income tax refund deferrals, rising seasonal cash requirements and borrowings and the increase in the size of the projected deficit for the 1983 fiscal year from the July 1982 projection. At the same time, Standard & Poor’s Corporation also reduced its rating on certain bond issues of various Authorities, not including the Corporation. On November 12, 1982, Moody’s Investors Service, Inc., reduced its rating on outstanding State tax and revenue anticipation notes from MIG-1 to MIG-2. However, since April 9, 1984, Moody’s Investors Service, Inc., has rated the State’s tax and revenue anticipation notes at MIG-1. Ratings reflect the views of the respective rating agency and explanations of such ratings may be obtained from each of the individual rating agencies. Any action by a rating agency to lower the credit rating on any outstanding indebtedness of the State may have an adverse impact on the market prices of or on the market for the Corporation’s bonds.

Problems of Authorities and Localities

The fiscal stability of the State is related, at least in part, to the fiscal stability of its localities and Authorities. Various Authorities have issued bonds secured, in part, by non-binding statutory provisions for State appropriations to maintain various debt service reserve funds established for such bonds (commonly referred to as “moral obligation” provisions).

At March 31, 1986, there was outstanding $18.6 billion aggregate principal amount of bonds and notes issued by Authorities which are either guaranteed by the State or supported by the State through lease-purchase arrangements, other contractual obligations or moral obligation provisions of which the Corporation’s bonds totalled approximately $7.9 billion. Debt service on outstanding Authority obligations is normally paid out of revenues generated by the Authorities projects, but in recent years the State has provided special financial assistance, in some cases of a recurring nature, to certain Authorities for operating and other expenses and for debt service pursuant to moral obligation indebtedness provisions or otherwise.

Several Authorities have, in the past, experienced financial difficulties. Certain Authorities continue to experience financial difficulties requiring financial assistance from the State. These Authorities are discussed below.
The Metropolitan Transportation Authority ("MTA") oversees the operation of the City's bus and subway lines by the New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, the "Transit Authority" or the "TA") and through its subsidiaries, the Long Island Rail Road and the Metro-North Commuter Railroad Company, operates certain commuter rail lines in the New York metropolitan area. Fare revenues are not sufficient to finance these operations. Therefore, the MTA has depended and will continue to depend upon a system of operating support from Federal, State, local government and an MTA affiliate, Triborough Bridge and Tunnel Authority ("TBTA") sources, including loans, grants and operating subsidies.

The MTA completed its 1985 fiscal year on December 31, 1985 with its budgets of approximately $3.7 billion balanced on a cash basis. The TA ended its fiscal year on December 31, 1985 with a cash balance available for operations of approximately $4.0 million.

For its 1986 fiscal year ending December 31, 1986, the MTA is projecting balanced operating budgets on a cash basis, based upon adopted fare increases of 10 cents for the TA, approximately 11 percent for commuter rail operations and a 25 cent toll increase on TBTA facilities, as well as receiving substantial assistance from the State. To meet its cash flow requirements, the TA issued $81 million in short-term notes on March 31, 1986 in anticipation of Federal grant moneys to be received in 1986. Over the past several years the State has enacted several taxes—including a surcharge on the profits of banks, insurance corporations and general business corporations doing business in the 12-county region served by the MTA and a special one-quarter of 1 percent regional sales and use tax—that provide additional revenues for mass transit purposes, including assistance to the MTA. In December 1984, the State legislature approved a two-year extension through December 1986 of the business tax surcharge in the MTA region. The MTA's projections are based on certain assumptions, including the repayment of an obligation to the State which was made in March 1986. The MTA has projected 1987 budget gaps of $154 million for the TA and $17 million for its commuter rail operations. These projections assume, among other things, that the business tax surcharge will be extended (or an equivalent revenue source will replace it) and that Federal operating assistance will continue at current levels. Should any of the assumptions used by the MTA in arriving at its 1986 and 1987 projections prove incorrect, the MTA could incur deficits in calendar year 1986 or 1987 and would therefore be required to seek additional State assistance or to increase fares. The MTA Subcommittee of the Governor's Council on Fiscal and Economic Priorities, chaired by Felix G. Rohatyn, Chairman of the Corporation, in a report to the Governor on January 29, 1986, stated that the New York City token would have to increase to $1.65 in 1990 and $2.05 in 1993 in order to cover projected annual TA operating deficits, including costs of substantial capital financing, of $565 million in 1990 and $882 million in 1993, even with extension of the regional business tax expiring December 31, 1986.

In 1981, the Legislature authorized procedures for the adoption and approval of five-year capital program plans designed to upgrade the performance of the MTA’s transportation systems and to supplement, replace and rehabilitate facilities and equipment, including certain additional bonding authorization therefor. The 1982-86 Capital Program contemplated total program expenditures and commitments during the five-year period ending December 31, 1986 of approximately $7.8 billion against total resources of $8.5 billion. As of December 31, 1985, approximately $6.1 billion in contracts for the 1982-86 Capital Program had been awarded by the MTA. This program, which is expected to be modified or amended from time to time, is expected to be funded from various sources, including TBTA bonds, MTA special obligation revenue bonds, service contracts between the State and the MTA and MTA bonds secured by such service contracts, Federal subsidies, financings related to certain leasing provisions of the Federal tax law, and additional capital funds for buses and ancillary facilities from the Port Authority of New York and New Jersey. The State has entered into service contracts with the MTA providing for annual appropriations by the State over a 35-year period of not in excess of $80 million. The 1987 State Budget includes $80 million to fund these contracts during the State's 1987 fiscal year. The MTA proposes to extend the 1982-86 Capital Program through the 1987-89 period in a proposal currently under consideration. The 1987-89 extension proposal provides for a budget of
$4.5 billion, including the $800 million which is expected to be carried forward from the 1982-86 Capital Program.

The Congress has adopted a budget for Federal fiscal year 1986 which reduces transit capital grants by approximately 12 percent in fiscal year 1986. In addition, Gramm-Rudman may require further cuts of 4.3% in Federal fiscal year 1986. The MTA estimates that these actions could result in a reduction of its Federal capital grants of up to $52 million. However, until the Federal budget process is finalized, the extent of potential reduction in Federal capital grants is uncertain. In addition, the Federal government is currently withholding $74 million in capital funds to the TA for two major tunnel construction projects, pending the outcome of an independent consultant report on the possible structural problems recently identified. If the MTA capital program is delayed because of funding shortfalls or other factors, ridership and fare revenues are expected to decline over time as a result of the deterioration of the mass transit system. A loss of fare revenues could, among other things, adversely affect the MTA's ability to meet its operating expenses without additional State assistance.

The New York State Housing Finance Authority ("HFA") and UDC face significant financial difficulties with some of the projects on which they hold mortgages. Seven HFA housing projects were more than one month in arrears in their monthly mortgage repayment escrow deposits due as of June 30, 1985. Five of these mortgagees were current in payments under settlement or workout agreements with HFA for rescheduling the amounts or timing of these obligations. HFA has commenced foreclosure proceedings against one mortgagee and expects to take appropriate action regarding the other. The most significant of the projects in arrears is Co-op City, on which HFA holds a mortgage with an original principal amount of $390 million. The New York State Division of Housing and Community Renewal, HFA, and Riverbay Corporation, the cooperative corporation that owns Co-op City, have entered into a memorandum of understanding, to be embodied in a settlement agreement, which is expected to result in a final settlement of all disputes among the parties. The agreement limits potential State liability for past and future construction defects at Co-op City to $171 million including expenditures to date and provides that Co-op City will release all pending claims against the State and HFA. Pursuant to the agreement Co-op City will resume paying full debt service on the HFA mortgage no later than July 1, 1986, and on July 1, 1996 will begin repaying mortgage arrearages accumulated between November 1, 1979 and March 31, 1986 totalling approximately $140 million. In addition, to the extent that Co-op City does not make full debt service payments for the months of April, May and June 1986, it must make payments to HFA on the first day of July 1986 and on the first day of each of the succeeding eight months, in an amount equal to one ninth of the difference between mortgage debt service payments actually made for April, May and June 1986 and the full amount of mortgage debt service required for April, May and June 1986. Co-op City agrees to establish rent increases to meet its future obligations. The memorandum of understanding also provides that Co-op City will pay certain disputed amounts and repay the State $2.5 million in 1992 and 1993, respectively. As part of the agreement, the State will pay Co-op City $20.5 million over the next three years. Of that amount $5.594 million is payable in the State's 1987 fiscal year. In addition the State is obligated to pay up to $31.351 million in its 1987 fiscal year for construction defects. The agreement also obligates the State to make payments on or about April 1, 1987, $17 million which will be dedicated to the payment of debt service over the remaining term of the mortgage. As a result of mortgage payment delinquencies of Co-op City and, to a substantially lesser extent, of certain other projects, the State has paid approximately $155.1million, between January 1976 and March 31, 1986, to restore deficiencies in the debt service reserve funds of HFA. At the end of each of the State's fiscal years, HFA's Non-Profit Housing debt service reserve fund must contain an amount equal to the maximum debt service on such bonds due in any succeeding calendar year. During the State's 1986 fiscal year, the State appropriated and paid $19.6 million to the debt service reserve fund securing HFA's Non-Profit Housing Project Bonds. The 1987 State Financial Plan projects an amount for payment to HFA that the State expects to be sufficient to replenish withdrawals from its Non-Profit Housing and General Housing debt service reserve funds during the State's 1987 fiscal year.
UDC has experienced, and expects to continue to experience, financial difficulties with the housing programs it had undertaken prior to 1975, because a substantial number of these housing program mortgagors are unable to make full payments on their mortgage loans. Mortgage payment arrears on these project mortgagors were $18.0, $16.7, $14.9 and $14.8 million during calendar years 1982, 1983, 1984 and 1985, respectively, and, through a subsidiary, UDC is currently attempting to increase its rate of collection by accelerating its program of foreclosures and by entering into settlement agreements. Owing to the continuing problems with its housing programs, UDC has been, and will remain, dependent upon the State for appropriations to meet its expenses. In its 1985 and 1986 fiscal years, the State appropriated $6.4 million and $6.0 million, respectively, to UDC for corporate operating expenses, and the recommended 1987 State Financial Plan includes a $6.3 million appropriation to UDC for corporate operating expenses. Failure by the State to make appropriations to UDC as moneys are required for operating expenses could lead to debt service shortfalls by UDC and result in UDC's having to draw upon debt service reserve funds in order to meet its debt service requirements. This would cause UDC to request the State to replenish such funds in order to avoid a default on all or a portion of the $838 million of UDC moral obligation bonds outstanding on March 31, 1986.

In April 1983, legislation was enacted authorizing UDC to issue up to $380 million in obligations to finance correctional facilities pursuant to lease-purchase financing arrangements with the State. Pending the issuance of the bonds authorized by the legislation, the State is advancing the amounts necessary to complete critically needed correctional facilities. Litigation challenging this financing arrangement is pending. Legislation enacted in 1985 increased the authorization for UDC to issue such bonds to $513 million.

Failure of the State to appropriate necessary amounts or to take other action to permit the Authorities to meet their obligations could result in a default by one or more of the Authorities. If a default were to occur, it would likely have a significant adverse effect on the market price of obligations of the State and its Authorities, including the Corporation.

Certain localities other than New York City could have financial problems leading to requests for additional State assistance during the State's 1987 fiscal year, particularly the counties and other localities on Long Island. The anticipated and potential problems stem, in part, from reductions in Federal spending contained in the President's proposed 1987 Federal budget and from litigation and judicial decisions relating to property tax assessments and rates and pension contributions by such localities, as well as from longer range economic trends.

The Long Island Lighting Company ("LILCO") is the investor-owned utility which supplies gas service and substantially all electric service in Nassau and Suffolk counties and a small portion of Queens County in New York City. LILCO has faced serious cash-flow and other financial difficulties that were attributable to, among other things, construction problems on its 809-megawatt Shoreham Nuclear Power Facility, the cash-flow problems of carrying debt service on that facility, and certain problems in obtaining a Federal operating license for the Shoreham facility. LILCO has reported that its cash position has improved, owing to various actions taken by LILCO. The Governor has appointed a State task force to review the possibility of a transition to public power on Long Island.

LILCO is the largest single real property taxpayer in both Suffolk and Nassau counties with total school, town and county taxes levied on its properties in 1985 of approximately $140 million in Suffolk County and $85 million in Nassau County. LILCO has challenged certain property tax assessments levied in Suffolk County on the Shoreham facility and seeks substantial refunds. If LILCO is successful in this pending litigation, or if the Shoreham plant does not operate and, therefore, its value for tax purposes is reduced substantially, or if LILCO is taken over by a governmental entity which is not required to pay taxes, there could be severe financial difficulties for the affected localities, particularly in Suffolk County, where the impact of uncollected school, town or county taxes is effectively borne by the County.

In light of these developments, including a $1.395 billion disallowance of the cost of Shoreham (estimated at $4.4 billion) levied by the Public Service Commission in December 1985, the State could be requested by LILCO or others, including utility ratepayers on Long Island, and Nassau and Suffolk counties
and their respective localities where LILCO is a significant local taxpayer, to assist LILCO directly or indirectly, or otherwise to participate in resolving LILCO's financial difficulties. There are, however, no legal requirements under which the State is obligated to participate in alleviating LILCO's financial difficulties, and the 1987 State Financial Plan does not project any direct or indirect State financial assistance for LILCO.

Litigation

Certain litigations pending against the State or its officers or employees could have a substantial or long-term, adverse effect on State finances. Among the more significant of these litigations are those that involve: (i) the validity of agreements and treaties by which the Oneida and Cayuga Indians transferred title to the State of approximately 6 million acres of land in central New York; (ii) certain aspects of the State's Medicaid rates and regulations, including reimbursements to providers of mandatory and optional Medicaid services; (iii) the treatment provided at several State mental hygiene facilities; (iv) the care and housing for individuals released from State mental health facilities; (v) the conduct of the State, HFA, and the State Commissioner of Housing and Community Renewal in the construction, financing, supervision and management of Co-op City; (vi) contamination in the Love Canal area of Niagara Falls; (vii) certain aspects of the former plan to construct the Westway project; (viii) educational accommodations for learning disabled students at a State University; (ix) alleged employment discrimination by the State of New York and its agencies; (x) alleged State negligence following polychlorinated biphenyl contamination of the Binghamton State Office Building; (xi) the collection and crediting of the State's business franchise tax; (xii) a challenge to the State's practice of reimbursing certain Office of Mental Hygiene patient care expenses with clients' Social Security benefits; (xiii) the validity of a lease-purchase agreement pursuant to which the State is to lease prisons financed by bonds issued by UDC; (xiv) challenges to the methods by which the State computes its aid to localities and to school districts; (xv) disputes as to retirement benefits payable to certain State and municipal employees; (xvi) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; and (xvii) a dispute as to whether under current law the State must reimburse local governments for Medicaid expenditures made for certain mentally disturbed patients.

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 Corporation's securities. 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. During the time the Series 58 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 10—VARIOUS CONTROL PROGRAMS."

This section describes the City's actual operating results for the 1982, 1983, 1984 and 1985 fiscal years, and some of the financial difficulties the City is expected to face in the future. It provides 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 staff of the Control Board, and OSDC, or as presented in the City's four year financial plans or the Official Statements prepared by the City in connection with the issuance of its securities, or contained in other reports and statements referred to herein.

Fiscal Years 1975-1985

During 1975 the City became unable to market its securities and entered a period of extraordinary financial difficulties. In response to this crisis, the State created the Corporation and enacted the Emergency Act, which created the Control Board. See "PART 10—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).
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 accounting principles then permitted by State law by the 1978 fiscal year.

In order to provide both seasonal and long-term financing for the City for fiscal years 1976 through 1978, a number of actions were taken. The City and the Federal Government entered into an agreement which provided the City with seasonal financing for the period. Certain City pension funds agreed to provide the City with long-term financing by purchasing City bonds and the City's sinking funds exchanged City notes for City bonds. In addition, bonds of the Corporation were: (1) purchased by certain commercial banks and City pension funds, (2) sold to the public, and (3) exchanged for outstanding City notes. In November 1975, the State Legislature enacted the New York State Emergency Moratorium Act, which suspended the rights of holders of short-term notes of the City to bring suit to enforce payment of such notes. The State Court of Appeals subsequently held the Moratorium Act unconstitutional and all of such notes have either been paid or exchanged for bonds of the Corporation.

During the 1976 through 1978 fiscal years, the City, among other actions, took steps to reduce the number of its employees, entered into labor contracts consistent with the assumptions contained in the Three Year Financial Plan and with the wage guidelines adopted by the Control Board, began charging general tuition at the City University of New York, and received additional State and Federal aid. Under the Three Year Financial Plan, the City Comptroller reported, in accordance with the accounting principles permitted by State law, operating deficits of $968 million and $329 million, for the 1976 and 1977 fiscal years, respectively. The City Comptroller has estimated that without the two major deviations from GAAP permitted by State law the reported deficits for the 1976 and 1977 fiscal years would have been approximately $1.870 billion and $1.039 billion, respectively. The financial statements for those two years, however, are unaudited and may contain substantial errors as well as other deviations from GAAP.

The City subsequently completed five consecutive fiscal years (1981 through 1985) with a General Fund surplus when reported in accordance with GAAP. In achieving the surplus in the 1981 fiscal year, the City balanced its budget in a manner consistent with GAAP one year earlier than required under State and Federal law, in contrast with earlier operating deficits when reported in accordance with GAAP. These developments have been due in large part to the continued strength of the City's economy, the effects of inflation on economically sensitive taxes and expenditure restraints by the City. Since the 1978 fiscal year, as required by the Emergency Act, the City's annual financial statements, prepared in conformity with GAAP, have been audited by independent certified public accountants.

Pursuant to the Emergency Act, the City is required to submit by May 12 of each year for review and approval by the Control Board a financial plan for the next four fiscal years, covering the City and certain agencies subject to the provisions of the Emergency Act (the "Covered Organizations"). The four year financial plan must be reviewed quarterly and may be modified from time to time during the fiscal year upon request of the City and approval of the Control Board. The Emergency Act requires that the City achieve a budget balanced in accordance with GAAP for fiscal years 1982 and thereafter, a requirement that the City has fulfilled for the 1981 through 1985 fiscal years.

In March 1981, the City reentered the long-term public credit markets with an issue of $75 million of its bonds. Subsequently, the City sold $250 million, $452 million, $775 million and $1.592 billion of its bonds in its 1982, 1983, 1984 and 1985 fiscal years, respectively. Public sales of City bonds in each of these fiscal years exceeded projections of the volume of bonds to be sold publicly by the City in the Debt Issuance Plan. The City has sold $1.150 million of its bonds to date in the 1986 fiscal year. In December 1985, Moody's Investors Service, Inc. raised the rating on City bonds to a Ba1 investment grade rating from Baa, which had been assigned in November 1983. In July 1985, Standard & Poor's Corporation raised the investment grade rating on City bonds to a BBB+ from BBB, which had been assigned in March 1981. Since 1979, the City has been able to obtain an increasing portion of its seasonal financing needs through the sale of short-term notes to the
public, and in the 1981 through 1985 fiscal years, the City obtained all of its seasonal financing requirements in that manner. The City has sold $900 million of notes in its 1986 fiscal year. In addition, the New York City Municipal Water Finance Authority, authorized to issue revenue bonds to finance the City's water and sewer projects, has sold $400 million of bonds to date in fiscal 1986.

**Fiscal Years 1986-1989**

As required by the City Charter, the Mayor submitted the Executive Capital and Expense Budget for the City's 1986 fiscal year (the "1986 Executive Budget") to the City Council and Board of Estimate on May 3, 1985. As required by State law, the 1986 Executive Budget was prepared and balanced in accordance with GAAP. On June 13, 1985, the City Council and Board of Estimate adopted a budget for the City's 1986 fiscal year (the "1986 City Budget"). The 1986 City Budget projects revenues and expenditures of $20.013 billion. The Mayor is expected to submit the Executive Capital and Expense Budget for fiscal 1987, which by law must be balanced in accordance with GAAP, on or about May 5, 1986.

On June 26, 1985, the Control Board approved the four-year financial plan covering the City's 1986 through 1989 fiscal years which was subsequently modified with Control Board approval on July 3, 1985, July 24, 1985, December 12, 1985 and February 20, 1986 (the "1986-1989 Financial Plan"). The 1986-1989 Financial Plan projects operating results balanced in accordance with GAAP for the 1986 fiscal year, with revenues and expenditures of $20.419 billion. The 1986-1989 Financial Plan also projects potential budget gaps of $574 million in 1987, $1,149 million in 1988 and $1,018 million in 1989, before the implementation of gap-closing programs.

The latest modification by the City to the 1986-1989 Financial Plan, approved by the Control Board on February 20, 1986 (the "February Modification"), provides a detailed gap-closing program for the 1987 fiscal year. City gap-closing actions for fiscal 1987 include proposed increases in the real property gains tax and expansion of the mortgage and conveynance tax to include cooperative apartments, which increases and expansion would require approval by the State Legislature and productivity and management improvements. The City, in the February Modification, assumes the receipt of an additional $200 million in State aid for each of the 1987 through 1989 fiscal years above such aid projected to be received in the preceding fiscal year and $100 million resulting from proposed reductions in the Corporation's debt service requirements in each of the 1987 through 1989 fiscal years.

The City expects to submit a four-year financial plan covering fiscal years 1987-1990 to the Control Board on or about May 12, 1986. Such plan is expected to project a GAAP-balanced budget for fiscal 1987 and substantial budget gaps for the 1988 through 1990 fiscal years. Such plan is subject to the approval of the Control Board which may require revisions to such plan prior to approving it.

The 1986 City Budget and the 1986-1989 Financial Plan are based on numerous assumptions and are subject to various contingencies and uncertainties relating to, among other factors, the strength of the local economy, the amount of State and Federal aid to be received by the City and the cost of labor settlements with City employees. Although the City has closed substantial gaps in prior fiscal years and has maintained balanced budgets in recent years, there can be no assurance that the City will continue to maintain a balanced budget without additional State and Federal aid, revenue increases or expenditure reductions.

The 1986-1989 Financial Plan provides for increases in wage and fringe benefits costs for non-uniformed employees of 6.3% for fiscal 1986 and 6.0% for fiscal 1987, and for uniformed employees of 6.4% for fiscal 1986 and 6.2% for fiscal 1987, corresponding to actual collective bargaining agreements covering the 1986 and 1987 fiscal years. For each of the 1988 and 1989 fiscal years, the 1986-1989 Financial Plan assumes a 2% increase in wage and benefits costs for all employees. The City estimates that each additional 1% increase in the wage assumption would result in additional expenditures of $88 million in the first year of the increase and $109 million, including pension costs, in each year thereafter.
On February 20, 1986, OSDC issued a report on the 1986-1989 Financial Plan analyzing the February Modification. OSDC projects a GAAP-balanced budget for fiscal 1986 and budget gaps of $495 million, $1.083 billion and $927 million in the 1987 through 1989 fiscal years, respectively, before implementation of the City's proposed gap-closing measures. OSDC cites as major concerns continuing reductions in Federal aid, most notably those associated with the planned elimination of general revenue sharing and Gramm-Rudman and the effect of stabilizing tax revenues on an increasing workforce. The report also expresses concern that certain elements of the City's gap-closing program are not within the City's control and may not be forthcoming at the time or in the amounts projected.

The staff of the Control Board issued a report on February 20, 1986 in connection with the Control Board's approval of the February Modification. The report projects a GAAP-balanced budget for the 1986 fiscal year and the potential for a gap in the 1987 fiscal year of $119 million, following implementation of the gap-closing program set forth in the February Modification. The report cites concern that the loss of additional Federal aid may exceed the City's reserves for such contingency, that revenue collections, particularly those related to economically sensitive taxes, may not be sufficient to cover planned increases in service levels, and that beginning in the 1988 fiscal year collective bargaining agreements may exceed the 2% wage increase projected by the City.

Gramm-Rudman, enacted on December 12, 1985, requires automatic spending reductions in all non-exempted Federal programs if annual Federal budget deficit targets are exceeded. The General Accounting Office, in a report issued to the President of the United States dated February 1, 1986 pursuant to the new statute, required Federal spending reductions in the amount of approximately $11.7 billion for the 1986 Federal fiscal year. On February 7, 1986, a special three judge United States District Court invalidated the resulting sequestration order of the President made pursuant to the GAO Report. The effect of such decision has been stayed pending an appeal to the United States Supreme Court with the result that such reductions have been implemented.

The City estimates that the Federal appropriation reductions, Gramm-Rudman reductions, Federal administrative actions and the Consolidated Omnibus Budget Reconciliation Act (COBRA) reductions for the 1986 Federal fiscal year will result in a loss of approximately $497 million in Federal aid to the City and its residents during the City's 1986 and 1987 fiscal years and will increase City expenditures by approximately $200 million during the City's 1986 and 1987 fiscal years.

On February 5, 1986, the President of the United States submitted to Congress the proposed 1987 Federal Budget. Like the budget proposed for fiscal year 1986, the budget proposed for fiscal year 1987, which would reduce non-defense related domestic spending by approximately $21 billion from fiscal 1986 appropriations, includes many reductions that Congress has previously rejected. The City estimates that the President's reductions would result in an additional loss of $756 million in Federal aid to the City and its residents in the City's 1987 fiscal year and that, if such proposed 1987 Federal Budget is enacted, the City would be required by Federal mandate to spend an additional $299 million in its 1987 fiscal year to compensate for reduced Federal funding, primarily for mandated entitlement programs and those programs currently supported by General Revenue Sharing and the Community Development Block Grant.

On March 19, 1986, the Senate Budget Committee reported a budget resolution (Domenici-Chiles) which would meet the target specified by Gramm-Rudman for the 1987 Federal fiscal year but would fund General Revenue Sharing at $1.8 billion in the 1987 Federal fiscal year contingent upon passage of a reauthorization bill and a revenue increase to be identified at a later date. The City estimates that the Senate Budget Committee proposal would result in an additional loss of $101 million in Federal aid to the City and its residents in the City's 1987 fiscal year and would require the City to spend an additional $98 million to compensate for reduced Federal funding, particularly in General Revenue Sharing. The House Budget Committee has not yet reported a budget resolution.

If Congress and the President do not agree on legislation to reduce the deficit to $144 billion for the 1987 Federal fiscal year, Gramm-Rudman would require automatic spending reductions in all non-exempt Federal programs to meet this deficit target. It is not possible to predict the outcome of the ongoing Federal budget process and therefore not possible to project with certainty the impact of the 1987 Federal Budget and Gramm-Rudman on the amounts of Federal aid to the City or any additional amounts which the City would be required to spend in its 1987 fiscal year.
City Litigation

The notes to the City's audited financial statements for the 1985 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, 1985, claims in excess of $86 billion were outstanding against the City for which the City estimated its potential future liability to be $2.1 billion. The 1986-1989 Financial Plan includes a provision for judgments and claims, other than the real estate tax certiorari proceedings described below, in the amount of $162 million, $209 million, $240 million and $270 million for the 1986 through 1989 fiscal years.

Numerous real estate tax certiorari proceedings alleging overvaluation, inequality and illegality are presently pending against the City. In response to these actions, State legislation was enacted in December 1981 which, among other things, authorizes the City to assess real property according to four classes and makes certain evidentiary changes in real estate tax certiorari proceedings. Based on the settlement activity of the past four fiscal years and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding certiorari proceedings to be $200 million at June 30, 1985. This figure is exclusive of potential exposure which could amount to approximately $1 billion resulting from claims for refunds brought by utilities owning special franchise property in the City which the City has considered in its $2.1 billion estimate of potential future liability described above.

Consolidated Edison Company of New York, Inc. ("Con Edison") has commenced numerous proceedings in the State Supreme Court, Albany County, against, variously, the City, the State Board of Equalization and Assessment ("SBEA") and others. Con Edison's petitions request that the assessments of its franchise properties in the City for real property taxation for the 1975-1986 fiscal years be declared and determined to be erroneous on grounds of alleged illegality, inequality and overvaluation to the extent of as much as 54% to 62%. The petitions request a review of the assessments and a correction of the alleged errors. In its answers, the City has denied all material allegations and all liability. In January 1978, the Appellate Division, Third Department ("Third Department"), affirmed a lower court's dismissal of the illegality claim for the 1975 and 1976 fiscal years. On June 2, 1981, the New York State Court of Appeals (the "Court of Appeals") affirmed another lower court holding that the owner of a special franchise could contest its assessment on the basis of inequality. On July 22, 1982, legislation was enacted which limits evidence of rate in a special franchise proceeding instituted after 1974 to the equalization rate used by SBEA in fixing the assessment. On September 24, 1983, the State Supreme Court, Albany County, upheld the constitutionality of such legislation and dismissed the inequality claims in their entirety for all years. This decision was affirmed by the Third Department, and on March 18, 1986, by the Court of Appeals. The validity of this legislation is being challenged by Con Edison in another proceeding pending in the Third Department. In addition, the New York Telephone Company has filed petitions requesting reductions in the assessment of its special franchise properties in the City for the 1979-1986 fiscal years, and the Brooklyn Union Gas Company ("Brooklyn Union Gas") has also filed petitions seeking similar relief for the 1975-1986 fiscal years. Brooklyn Union Gas' claims for the 1975 through 1979 fiscal years were dismissed by the State Supreme Court, Albany County, and are now on appeal to the Third Department. The claim for the 1981 fiscal year was dismissed by the Court of Appeals and the petition of Brooklyn Union Gas for review on this claim has been denied by the United States Supreme Court. Adverse decisions in these proceedings could result in refunds to utilities owning special franchise property in the City of approximately $1 billion.

On April 13, 1984, Brooklyn Union Gas commenced a proceeding in State Supreme Court, New York County, to review two final determinations of the New York City Commissioner of Finance (the "Commissioner") which denied refund of the New York City utility tax in the approximate amount of $23.4 million, exclusive of interest. In its petition, Brooklyn Union Gas claimed that the City was authorized to impose the tax at the rate of only 1% of gross income instead of 2.35% of gross income. The proceeding was transferred to the Appellate Division, First Department (the "First Department"). On April 16, 1985, the First Department granted Brooklyn Union Gas' petition, annulled the determination of the Commissioner and remanded the matter to the Commissioner for the purpose of determining whether all or any portion of the claimed refund is barred by reason of Brooklyn Union Gas' failure to make its claim for refunds within
the time permitted by law. Both the City and Brooklyn Union Gas have been granted leave to appeal to the Court of Appeals. If Brooklyn Union Gas were ultimately to prevail, those utilities which have paid the tax at the rate of 2.35% could become entitled to refunds ranging in total amount from approximately $118 million to $500 million, depending upon the applicable statute of limitations and whether or not interest would be payable upon any such refunds and the rate of such interest (all of which is in dispute). In August 1985, legislation to eliminate any revenue loss that might result from the litigation was enacted confirming the authority of the City to impose the tax at the rate of 2.35% of gross income. This legislation is retroactive for a period of six years and provides for alternative shorter periods of retroactivity should the six year period be found to be unconstitutional. Plaintiff has challenged the constitutionality of this legislation in the Court of Appeals. The State has been joined as a party to these proceedings and has submitted a brief in support of the City's position.

On January 24, 1986, Bankers Trust New York Corporation ("Bankers Trust") perfected an appeal to the First Department challenging a final determination of the Commissioner which denied refund of the City's financial corporation tax in the approximate amount of $2 million for the 1977 tax year and rejected Bankers Trust's argument that such tax as applied to income from Federal obligations was not permissible under Federal law. The appeal is expected to be argued in May 1986. If Bankers Trust were ultimately to prevail on its claim and the decision were held applicable to other financial corporations, revenues from the financial corporation tax could be reduced and the City could become liable for substantial refunds.

On August 1, 1975, Women in City Government United, representing all retired and active female employees of the City and certain Covered Organizations, commenced a class action in the United States District Court for the Southern District of New York (the "Southern District") against the City, the New York City Employees' Retirement System ("NYCERS") and its officers and trustees and others. Plaintiffs alleged that certain retirement plans discriminate against female employees in violation of the United States Constitution and certain Federal statutes and regulations. The complaint seeks injunctive relief and a declaratory judgment that the alleged discriminatory practices are illegal and unconstitutional. On April 24, 1981, the Southern District granted plaintiffs' motion for summary judgment in regard to liability on their Federal statutory claim, but deferred judgment, pending a trial, as to the appropriate relief to be granted. On December 21, 1982, the Southern District granted plaintiffs leave to amend the complaint to include claims under the Federal Equal Pay Act and the State Human Rights Law. On December 14, 1984, the NYCERS Board of Trustees (the "NYCERS Board") adopted a resolution (the "Resolution") to revise its mortality tables to achieve gender neutrality and to reflect modern mortality experience. The effective date of the Resolution was conditioned on the enactment of legislation that revised the interest assumption used in determining certain retirement and death benefits of members who retire on or after August 1, 1983. Such legislation was enacted on August 19, 1985. On February 8, 1985, the parties entered into a consent decree (the "Consent Decree") settling all claims (including claims under the Federal Equal Pay Act and the State Human Rights Law) of class members who retired on or after August 1, 1983. The Consent Decree provides for the equalization of contribution rates effective April 25, 1978, refunds of certain contributions made by such class members and equalization and revision of benefits receivable by all such class members by April 1, 1985. In order to become final, the Consent Decree must be approved by the Southern District after a hearing. The Consent Decree was preliminarily approved by the Southern District on November 13, 1985, and a hearing was held on March 19, 1986. The Chief Actuary has estimated that the changes contemplated by the Consent Decree and the Resolution may increase the liability of the City's five actuarially funded pension systems by as much as $745 million (when the present value of such liability is determined on an actuarial basis at 8% per annum). This increased liability will be amortized over the expected future working lives of affected pension system members. Funds covering the estimated cost of achieving mortality table modernization and gender neutrality for all of the City's pension systems have been provided in the 1986-1989 Financial Plan. In the event the Consent Decree is not finally approved by the Court in whole or in part, the non-settled portion of the action would continue and could result in a further increase in the liability of the systems. Should the Consent Decree become finally effective, there will remain certain other prospective issues which the Chief Actuary has estimated could result in additional liability not exceeding $288 million if such issues were determined adversely to the City. In addition, if past benefit levels were required to be
increased to the levels of the advantaged sex, an additional cost not exceeding $29.8 million would be required for each year such levels were made retroactive. An adverse decision based on the Equal Pay Act may increase the estimated cost of such retroactive relief. On July 6, 1983, the United States Supreme Court held that an employer-sponsored pension plan must provide equal benefits to male and female workers (Arizona v. Norris). The Court also held that such equalization should be implemented solely for service accruing after August 1, 1983. The City believes that the holdings of the Norris case are applicable to pending litigation and could substantially reduce the City's estimated liabilities of $288 million and $29.8 million set forth above.

On June 7, 1982, the City filed an amended claim in the State Court of Claims seeking $225 million from the State as payment for condemnation of land to be used for the construction of an interstate highway on the west side of Manhattan ("Westway"). The State has agreed that it is liable to pay the value of the condemned property but has not agreed on the amount. To date the State has paid the City approximately $96.3 million as partial payment for the condemned property. On September 11, 1985, the United States Court of Appeals for the Second Circuit upheld the decision of the Southern District voiding a permit issued by the United States Army Corps of Engineers to construct Westway. On the same day the House of Representatives voted to block Federal funding for the landfill for Westway. The State and the City have decided to trade in Westway funds for alternative highway and mass transit projects. The effect of these developments in the City's condemnation claim cannot be determined at this time.

On August 23, 1985, Jo & Wo Realty Corporation commenced a suit in the State Supreme Court, New York County, against the City, the MTA, the TBTA and other parties seeking to enjoin the proposed sale of the New York Coliseum site (the "Coliseum"), based, among other things, on the City's failure to submit the proposed sale of the Coliseum to competitive bidding pursuant to the City Charter. On January 28, 1986, the State Supreme Court, New York County, granted defendants' motion to dismiss on the grounds that the lawsuit was premature because no binding contract had been agreed to. On April 22, 1986, the First Department affirmed the decision below. The City's 1986-1989 Financial Plan includes the receipt in the 1987 fiscal year of $240 million from the anticipated sale of the Coliseum.

On April 8, 1986, St. Bartholomew's Church ("St. Bartholomew's") commenced an action in the Southern District against the City and the City's Landmarks Preservation Commission (the "Commission") in connection with the Commission's decision not to permit St. Bartholomew's, which had earlier been designated as a landmark by the Commission, to demolish and reconstruct a portion of its property. Plaintiff alleges, among other things, that the law governing the Commission's decision and the application of the law to St. Bartholomew's violate the First Amendment of the United States Constitution in that they interfere with the free exercise of religion and that it has been subjected to a taking without compensation in violation of the Fifth Amendment of the United States Constitution. Plaintiff seeks, among other things, declaratory and injunctive relief and damages in the amount of $110 million.

In addition, there is a lawsuit pending against the Board of Education of the City alleging discrimination in the provision of educational services which, if successful, could result in the withholding of substantial amounts of Federal aid for the City school system. Actions have also been commenced by State and Federal environmental agencies to enforce certain provisions of State and Federal environmental laws which, if successful, could result in the imposition of substantial penalties and costs of compliance on the City and one or more of its Covered Organizations.

Covered Organization Litigation

On May 10, 1984, the City, the New York City Transit Authority, the Manhattan and Bronx Surface Transit Operating Authority and the Port Authority of New York and New Jersey instituted a lawsuit against Grumman Corporation and its affiliates ("Grumman") seeking compensatory and punitive damages in an amount of approximately $320 million in connection with Grumman's sale and repair of certain transit buses. On December 3, 1984, Grumman asserted counterclaims in varying amounts against the respective plaintiffs; the aggregate of such counterclaims, as alleged by Grumman, is in the approximate range of $500
million to a maximum of $1.1 billion. All claims alleged by the parties are currently pending in the State
Supreme Court, New York County.

Five actions have been filed since April 15, 1986 by various parties against the New York City Housing
Development Corporation ("HDC"), two in the United States District Court for the Northern District of
Illinois, one in the United States District Court for the Southern District of New York, one in the State
Supreme Court, New York County, and one in the United States District Court for the Eastern District of
New York. These actions allege that HDC's plan to redeem more than $160 million of bonds issued by HDC
in 1982 either violates Federal securities laws or is not permissible under the terms of HDC's bond
resolutions or both. These actions seek declaratory judgments, injunctive relief and monetary damages. HDC
has not filed an answer in any of these cases. HDC redeemed such bonds on May 1, 1986.

Federal Bankruptcy Legislation

The City expects to meet its cash needs on an ongoing basis under the four year financial plans prepared
in accordance with provisions of State law. However, if the City's cash resources are insufficient to meet its
obligations, Federal and State statutes provide for certain remedies under Chapter 9 of the Federal
Bankruptcy Code.

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 debt 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 has been obtained.

Although the filing of such petition might have a general adverse effect on the economic health of the
City, the Corporation believes that such a filing would not have a material adverse effect on the Corporation's
ability to repay its obligations, including the Series 58 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
Corporation's securities.

PART 10—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.

The Corporation

The Act authorizes the Corporation to purchase obligations of the City to finance portions of the City's
capital program. At the time of payment to the City, 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 payment 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, which the City has, to date, complied with, may be briefly
summarized as follows:
(i) The City has adopted as its method of accounting the accounting principles permitted by State law. The City's audited financial statements provided to the Corporation for the City's 1978 through 1985 fiscal years 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 accounting principles permitted by State law for fiscal years through 1981.

(ii) The Act 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 is required 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 to determine whether the City is adhering to an operating budget in which revenues equal or exceed expenditures under the accounting principles permitted by State law.

(iii) The Act sets forth limitations for the issuance by the City of its short-term notes. The Corporation is required to police these limitations by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates these limitations and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation anticipates that these limitations will not prevent the City from issuing any short-term obligations to meet its seasonal financing needs.

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 State law, 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 the Comptroller of the State, the Mayor and the Comptroller of the City and three appointees of the Governor, Donald B. Kummerfeld, Heather L. Ruth and Stanley S. Shuman. Comer S. Coppie is the Executive Director of the Control Board. The Office of the Special Deputy State Comptroller assists the Control Board and the Corporation in carrying out their functions. Elinor B. Bachrach is Special Deputy State Comptroller.

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 of City bonds, (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 debt service on 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 has occurred. No Control Period may extend beyond the earlier of (i) July 1, 2008 or (ii) the date when no notes or bonds containing the 1978 State Covenant remain outstanding and there is no longer effective or outstanding any Federal guarantee.
During a Control Period, the four year financial plans for the City and the Covered Organizations, including modifications thereof, are subject to review and approval by the Control Board. In addition, the Control Board must formulate and adopt 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 into the operating budgets the requirements of any changes in GAAP 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 modifications 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 results of the City’s operations 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 system of monthly expenditure projections and quarterly allocations for each 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 the City general 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 and certain obligations of the City and the Covered Organizations, and, in coordination with the Corporation, the approval of long-term or short-term borrowing by the City or any Covered Organization.

Federal guarantees of the City’s Federally guaranteed bonds will terminate upon repayment, refunding or the sale by the original purchasers of all such outstanding bonds. To date, the City has provided for the refunding of all but $1 million of its Federally guaranteed bonds. The balance of the bonds is due to be paid by August 15, 1986. Upon the termination of all Federal guarantees of obligations of the City, the Control Period will terminate upon a determination by the Control Board that the City has maintained a balanced budget in accordance with GAAP for each of the three immediately preceding fiscal years and a certification by the State and City Comptrollers that the City has been able to satisfy its capital and seasonal financing requirements in the public credit markets and is expected to satisfy such requirements in the future. Once the Control Period is terminated, certain Control Board powers are suspended including, among others, its power to approve or disapprove certain contracts, long-term and short-term borrowings, and the four-year financial plan of the City and the Covered Organizations. After the termination of the Control Period but prior to the statutory expiration date of the Financial Emergency Act on July 1, 2008, the City will still be required to develop a four-year financial plan each year and to modify the plan as changing circumstances require. During this period, the Control Board will also continue to have certain review powers and must reimpose the Control Period upon the occurrence or substantial likelihood of the occurrence of certain enumerated events.

Also upon the termination of all Federal guarantees of City bonds under existing State law enacted in 1975, the City’s authority to collect certain taxes will expire. Those taxes include surcharges on the general
corporation and financial corporation taxes and the minimum personal income tax, with current annual revenues of approximately $450 million. The City intends to seek changes in State law that would permit continuation of these taxes after the termination of all Federal guarantees of City bonds.

PART 11—AGREEMENT OF THE STATE OF NEW YORK

In the legislation which established the Corporation in 1975, the State pledged to and agreed with the holders of the Corporation's 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. The Corporation has included such pledge in the Second General Bond Resolution.

In addition, pursuant to legislation enacted in 1978, the City is authorized and the Corporation is required to include the 1978 State Covenant in any agreement with holders or guarantors of their 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 Board 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 so 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 12—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, <em>Chairman</em></td>
<td>December 31, 1987</td>
</tr>
<tr>
<td>Edward M. Kresky, <em>Vice Chairman</em></td>
<td>December 31, 1985</td>
</tr>
<tr>
<td>Kenneth J. Bialkin(1)(2)(3)</td>
<td>December 31, 1982</td>
</tr>
<tr>
<td>George M. Brooker(2)(3)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>Eugene J. Keilin(2)</td>
<td>December 31, 1982</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td>December 31, 1987</td>
</tr>
<tr>
<td>Andrew P. Steffan(1)(2)(3)</td>
<td>December 31, 1984</td>
</tr>
<tr>
<td>Robert C. Weaver(2)</td>
<td>December 31, 1984</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Representatives(4)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jerome Belson</td>
<td>Appointed by the Vice-Chairman of the City Council</td>
</tr>
<tr>
<td>William J. Corbett</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>Richard D. Parsons</td>
<td>Appointed by the President Pro-Tem of the State Senate</td>
</tr>
<tr>
<td>Carl H. Pforzheimer III</td>
<td>Designated representative of the State Comptroller</td>
</tr>
<tr>
<td>Robert W. Scaven</td>
<td>Appointed by the Minority Leader of the State Senate</td>
</tr>
</tbody>
</table>

(1) Wertheim & Co., Inc., Smith Barney, Harris Upham & Co. Incorporated, and Shearson Lehman Brothers Inc., with which Messrs. Kresky, Steffan and Bialkin, respectively, are affiliated as described in their biographies, may act as underwriters in connection with the sale of the Series 58 Bonds.

(2) Continuing to serve until reappointed or until successor appointed and qualified.

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

(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. The position of Representative of the City Board of Estimate is currently vacant.

**FELIX G. ROHATYN, Chairman.** Mr. Rohatyn is a General Partner of Lazard Freres & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Schlumberger, Ltd., Owens-Illinois, Inc., Pfizer Inc., Pechiney Corporation, MCA Corporation, American Motors Corporation, and Minerals and Resources Corp., Ltd. Mr. Rohatyn is a resident of New York City.

**EDWARD M. KRESKY, Vice-Chairman.** Mr. Kresky, Chairman of the Corporation's Investment Committee, is a Senior Advisor to Wertheim & Co., investment bankers. 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 Dime Capital Corporation, and is the Vice-Chairman of the New York State Council on the Arts. Mr. Kresky served the Corporation as a Representative from June 1975 to January 1979. Mr. Kresky is a resident of New York City.

**FRANCIS J. BARRY.** Mr. Barry is Chairman of the Board of Circle Line-Sightseeing Yachts, Inc. and other of its affiliated companies. Since 1967, he has served as an arbitrator for the United Marine Division of Local 333 I.U.A. of the AFL-CIO. He is a member of the Board of Directors of the New York Convention Center Operating Corporation. He is a director and a member of the Executive Committee of the New York Convention and Visitors Bureau. He is a former member of the Control Board. Mr. Barry is a resident of New York City.

**KENNETH J. BIALKIN.** Mr. Bialkin is a member of the law firm of Willkie Farr & Gallagher, New York, New York, and is an Adjunct Professor of Law at New York University School of Law. He is a past Chairman of the Section of Corporation, Banking and Business Law of the American Bar Association, and is
a former Chairman of the Committee on Federal Regulation of Securities of that Section. He is also a Vice President and a former Chairman of the Committee on Securities and Exchanges of the New York County Lawyers' Association. He is a director of Shearson Lehman Brothers Inc., Gulf Resources and Chemical Corporation and E. M. Warburg, Pincus & Co., Inc. He is also National Chairman of the Anti-Defamation League of B'nai B'rith and Chairman of the Conference of Presidents of Major American Jewish Organizations. Mr. Bialkin is a resident of New York City.

GEORGE M. BROOKER. Mr. Brooker is a principal stockholder and President of Webb & Brooker, Inc., a real estate management and brokerage firm. He is past President of the New York Chapter of the Institute of Real Estate Management. He is a director and Vice President of the New York Building Congress. He is a governor of the Real Estate Board of New York and the Realty Advisory Board of New York. He is a trustee of the Educational Broadcasting Corp. (WNET/Channel 13). He is a director of the National Center Housing Management of Washington, D.C. and a director of the Realty Foundation of New York. Mr. Brooker is a resident of New Rochelle, New York.

EUGENE J. KEILIN. Mr. Keilin, Chairman of the Corporation's Finance Committee, is a General Partner of Lazard Freres & Co., investment bankers, and was Executive Director of the Corporation from October 1976 to January 1979. 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. He is a Director of the Weirton Steel Corporation, a Trustee of the Citizens Budget Commission and Chairman of the New York State Industrial Cooperation Council. Mr. Keilin is a resident of New York City.

DICK NETZER. Dr. Netzer, Chairman of the Corporation's City Budget Committee, has been Director of New York University's Urban Research Center since September 1981 and was Dean of the University's Graduate School of Public Administration from 1969 through 1982. He is a former member of the Municipal Securities Rulemaking Board. 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 editor of the quarterly New York Affairs and a member of numerous editorial and research advisory boards. Dr. Netzer is a resident of New York City.

ANDREW P. STEFFAN. Mr. Steffan, Chairman of the Corporation's Audit Committee, is a First Vice President of Smith Barney, Harris Upham & Co. Incorporated. From 1972 until 1976, he was on the staff of the Securities and Exchange Commission and became the Agency's first Director of Economic and Policy Research. Mr. Steffan is a resident of New York City.

ROBERT C. WEAVER. Dr. Weaver, Chairman of the Corporation's Administration Committee, was Distinguished Professor of Urban Affairs at Hunter College from 1971 to 1978. He is now Distinguished Professor Emeritus. 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 former member of the Board of Trustees 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 is a resident of New York City.

JEROME BELSON, Representative. Mr. Belson is President and Chief Executive Officer of Jerome Belson Associates, Inc., a real estate management firm. He is Chairman of the Board of Waterhouse Securities, Inc. He is President of Protective Energy Programs, Inc., a public company. He is President of Associated Builders and Owners of Greater New York, Inc. He serves as Chairman of the Federation of Alumni Associations of St. John's University. Mr. Belson is a resident of New York City.

WILLIAM J. CORBETT, Representative. Mr. Corbett is Vice President—Communications for the American Institute of Certified Public Accountants. Previously, until October 1984, he was Director of
Corporate Public Relations for Avon Products, Inc. He is a member of the Board of Directors and Membership Chairman of the International Public Relations Association, and a member of the National Investor Relations Institute, and of the Public Relations Advisory Committee and the Sports Advisory Committee of the United States Information Agency. He is also a member of the Board of Directors of the Forum for Corporate Social Responsibility and The Public Relations Society: New York. Mr. Corbett is a resident of Floral Park, 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, established his own management consulting firm, Leonard Nadel Associates Inc., in New York City in April 1978. In July 1980, Mr. Nadel joined Beldoch Industries Corporation, an apparel manufacturer, where he presently serves as an Executive Vice President. He is former Chairman and current member of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish Medical Center and a Trustee of the Richmond Hill Savings Bank. He is a past president of the Brooklyn Chamber of Commerce. Mr. Nadel is a resident of Roslyn, New York.

RICHARD D. PARSONS, Representative. Mr. Parsons is a member of the law firm of Patterson, Belknap, Webb & Tyler. He has been with the Patterson firm since 1977. From 1971 through 1974, Mr. Parsons served as an Assistant and First Assistant Counsel to former Governor Rockefeller. In 1975, he became Deputy Counsel to then Vice President Rockefeller and, later that year, was appointed to the White House staff as Counsel to the Domestic Council. He also serves as an observer to the Financial Control Board. Mr. Parsons is a resident of Pocantico Hills, New York.

CARL H. PFOZRHEIMER III, Representative. Mr. Pfozrheimer is Managing Partner of Carl H. Pfozrzheimer & Co., an investment banking firm. He is a director of the Visiting Nurse Service of New York, former Chairman and current member of the Board of Trustees of Horace Mann-Barnard School, past President of the Scarsdale Union Free School District and a member of the Board of Trustees of Pace University and the Hoff-Barthelson Music School. He is also a member of the New York Zoological Society and the Citizens Forum on Self-Government of the National Municipal League, Inc. Mr. Pfozrheimer is a resident of Scarsdale, New York.

ROBERT W. SCAVEY, Representative. Mr. Seavey is Chairman of the Battery Park City Authority. He is counsel to the law firm of Seavey, Fingerit, Vogel, Ozziel & Skoller, New York, New York, a director and a member of the Executive Committee of the Citizens Housing and Planning Council of New York, a member of the Committee on Housing and Urban Development of the Association of the Bar of The City of New York, and an Adjunct Professor of Law at Brooklyn Law School. Mr. Seavey is a resident of New York City.

PART 13—LITIGATION

The Corporation is not party to any litigation. Various actions between 1975 and 1979 challenging the constitutionality of the imposition and appropriation of the Sales Tax and Stock Transfer Tax to the Corporation have all been dismissed with the State's highest court affirming the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations. The United States Supreme Court dismissed an appeal from the State court ruling for lack of a substantial Federal question.

PART 14—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

The following is a summary of certain provisions of the Second General Bond Resolution. The summary is not 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." Section references, unless otherwise indicated, are to the Resolution.

Certain Defined Terms

"Bonds" means all bonds issued pursuant to the Second General Bond Resolution.

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

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

"Capital Reserve Fund Requirement" means, 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 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" means the General Bond Resolution dated July 2, 1975, as heretofore and hereafter supplemented in accordance with the terms thereof.

"Fiscal Year" means any twelve consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

"Operating Expenses" means the Corporation's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and includes administrative expenses, legal, accounting and consultants' services and expenses, payments to pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, or the Resolution or the First General Bond Resolution or otherwise.

"Operating Fund" means the fund by the name established by Section 604 of the First General Bond Resolution.

"Outstanding" means, 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, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust, (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 defeased.

"Paying Agent" for the Bonds of any Series means the bank or trust company and its successor or successors, appointed pursuant to 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 is 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" means, 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.

"Resolution" means 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" means all payments to the Corporation pursuant to Section 3036 and 3036-a of the Act except any payments to the Operating Fund.

"Serial Bonds" means the Bonds so designated in a Series Resolution.

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

"Series Resolution" means 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" means 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 the relevant Series Resolution, to be paid at all events by the Corporation on a single future July 1 for the retirement of any Outstanding Bonds of that Series which mature after such July 1, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

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

"State" means the State of New York.

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

"Stock Transfer Tax" means 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" means a resolution supplemental to or amendatory of the Resolution, adopted by the Corporation in accordance with Article X of the Resolution.

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

"Trustee" means 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.

(Resolution, Section 101)

The Pledge Effectuated by the Resolution

The proceeds of the sale of the Bonds, the Revenues and all Funds established by the Resolution (except for the Operating Fund) are pledged to the payment of the Bonds. The pledge created by the Resolution is subordinate to the pledge of the revenues, moneys and securities and funds pledged under the First General Bond Resolution.

(Resolution, Section 601)

Establishment of Funds

The Resolution establishes the Bond Service Fund and Capital Reserve Fund, both of which are held by the Trustee.

(Resolution, Section 602)
Application of Payments

If the amount of any payment received is less than the amount certified by the Chairman of the Corporation, 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. On or before the business day preceding each date of a required payment on any Bonds, the Trustee shall pay, from the Bond Service Fund, to itself and the Paying Agents, the amount required for such payment.

2. If the amount in the Bond Service Fund shall be less than the amounts required to be paid pursuant to paragraph 1 above, the Trustee shall withdraw from the Capital Reserve Fund such amount as will be sufficient to make such payment.

3. As soon as practicable after the 45th day preceding the date of any Sinking Fund Installment, the Trustee shall call for redemption the specified amount of Term Bonds to be retired by such Sinking Fund Installment.

4. The Corporation may, after July 2 in any year but not less than 45 days prior to the date on which a Sinking Fund Installment is 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. Term Bonds so purchased shall be credited against the Sinking Fund Installment due on such date.
(Resolution, Section 605)

Capital Reserve Fund

1. The Corporation shall deposit into the Capital Reserve Fund (i) all moneys paid to the Corporation pursuant to 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 as shall be prescribed by a Series Resolution; and (iii) any other moneys which may be made available to the Corporation for such purposes.

2. At any time after December 31, 1980, moneys and securities in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement, upon direction of the Corporation, may be deposited to the credit of the Bond Service Fund.

3. 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 a certificate stating the sum, if any, required to restore the Capital Reserve Fund to an amount equal to the Capital Reserve Fund Requirement.

4. Moneys and securities held in the Capital Reserve Fund may, and at the direction of the Corporation shall, be withdrawn therefrom 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 withdrawal, 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 maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement; (ii) the amounts required to be deposited in the Bond Service Fund to make all principal and interest payments on Bonds 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 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 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 covenanted to make the certifications referred to above 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 make principal and interest payments 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. 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.

(Resolution, Section 607)

Creation of Liens

The Corporation shall not issue any indebtedness, other than the Bonds secured by the Capital Reserve Fund, and shall not create any lien prior to the Bonds on the Bond Service Fund, provided, however, that nothing shall prevent the Corporation from issuing (i) indebtedness under a separate resolution if the lien created by such resolution is not prior or equal to the charge or lien created by the Resolution and (ii) obligations issued in accordance with the applicable provisions of the First General Bond Resolution.

(Resolution, Section 907)

General

The Corporation shall not amend the First General Bond Resolution in any manner which would have a material adverse effect on the Bondholders, provided, however, that nothing shall prevent the issuance of obligations upon the terms as provided in the First General Bond Resolution. No such obligations shall be issued if such issuance would cause the amounts available for debt service on the Bonds to be less than 1.2 times the maximum aggregate amount of debt service on the Bonds for each Fiscal Year of the Corporation.

(Resolution, Section 909)
**Additional Obligations**

The Corporation reserves the right to issue its obligations under a separate resolution so long as the same are not entitled to a prior or equal lien 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.

(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 of any Bond when due; 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 30 days; or

(c) the Corporation shall fail or refuse to comply with the provisions of the Act relating to the certification of its quarterly requirements, or the State Comptroller shall fail to pay to the Corporation any amount or amounts as shall be certified by the Chairman of the Corporation pursuant to such provisions of the Act; or

(d) the Corporation shall fail or refuse to comply with the provisions of the Act relating to the certification of the amount required to maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement, or the State shall fail to appropriate and pay to the Corporation any amount or amounts as shall be certified by the Chairman pursuant to such provisions of the Act; 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 45 days after written notice thereof by the holders of not less than 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 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 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 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 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 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 under any provision of the Resolution or a Series Resolution or of the 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.

(Resolution, Section 1203)

Series Resolutions and Supplemental Resolutions

The Corporation may adopt (without the consent of any Bondholders) a Series Resolution or Supplemental Resolution not inconsistent with the Resolution, to provide for the issuance of a Series of Bonds and specify the terms thereof; to add additional covenants and agreements for the purpose of further securing the payment of the Bonds; to prescribe further limitations and restrictions on the issuance of Bonds; to surrender any right, power, or privilege reserved to the Corporation; and, with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution.

(Resolution, Section 1001)

Any of the provisions of the Resolution may be amended by a Supplemental Resolution with the written consent of the holders of at least 66⅔% in principal amount in each case of (a) all Bonds then Outstanding, and (b) if less than all the Series of Bonds then Outstanding are affected, the Bonds of each affected Series; excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specific Series and maturity, if such amendment by its terms will not take effect so long as any such Bonds remain Outstanding; provided that any such amendment shall not permit a change in the terms of redemption or maturity of the principal of or any installment of interest on any such Bond or make any reduction in principal, Redemption Price, or interest without the consent of the affected holder, or reduce the percentages of consents required for a further amendment.

(Resolution, Section 1101)
Amendments may be made in any respect with the written consent of the holders of all of the Bonds then Outstanding.
(Resolution, Section 1103)

Investment of Funds

The Corporation may direct the Trustee to invest moneys in the Bond Service Fund and the Capital Reserve Fund 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 obligation issued by certain Federal agencies, (c) 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, (d) interest-bearing time deposits, and (e) repurchase agreements covering obligations of issuers enumerated as aforesaid.

The Trustee shall not be liable or responsible for the making of any authorized investment made in the manner provided in the Resolution or for any loss resulting therefrom.
(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) 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 (b), the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish a notice to the effect and in accordance with the procedures provided in the Resolution. Neither direct obligations of the United States of America or moneys deposited with the Trustee 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.
(Resolution, Section 1401)

PART 15—TRUSTEE

United States Trust Company of New York (the “Trust Company”) is the Trustee under the First and Second General Bond Resolutions. Its principal offices are located at 45 Wall Street, New York, New York 10005. 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 14—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 date 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 party to the Financing Agreement, owns $6,053 million of First Resolution obligations and $11,790 million of Second Resolution Bonds for its own account. The Trust Company has performed, and may in the future perform, certain banking services for the Corporation.

PART 16—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 17—TAX EXEMPTION

In the opinion of Bond Counsel, interest on the Series 58 Bonds is exempt from (i) Federal income taxes under the existing statutes, and (ii) personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 58 Bonds are exempt from all taxation directly imposed therein by or under authority of said State, except for estate or gift taxes and taxes on transfers.

PART 18—PENDING FEDERAL TAX LEGISLATION

On December 17, 1985 the United States House of Representatives passed a bill ("H.R. 3838") which contains provisions that would impose additional requirements as a condition to the exemption from Federal income taxation of interest on state and local governmental obligations issued after December 31, 1985, and which would add as a preference item to be included in calculating alternative minimum taxable income, interest on certain tax exempt obligations issued after December 31, 1985.

On March 14, 1986, a joint statement was issued by Representative Dan Rostenkowski, Chairman of the House Committee on Ways and Means, Senator Robert Packwood, Chairman of the Senate Committee on Finance, Representative John J. Duncan, Ranking Member of the House Committee on Ways and Means, Senator Russell Long, Ranking Member of the Senate Committee on Finance, and Secretary of the Treasury James A. Baker, III (the "Joint Statement"). The Joint Statement endorses the postponement, until the earlier of September 1, 1986 or the date of enactment of tax reform legislation, of the effective date of certain
of the provisions of H.R. 3838 that could have a material adverse impact on the tax-exempt status of the Series 58 Bonds. In expending the proceeds of the Series 58 Bonds, the Corporation will comply with those provisions of H.R. 3838 for which the effective date was not postponed under the Joint Statement.

While bond counsel has rendered no opinion as to the compliance of the Series 58 Bonds with H.R. 3838 other than that contained by implication in the succeeding sentence, bond counsel is of the opinion that the Series 58 Bonds would come within the scope of the Joint Statement. Accordingly, if H.R. 3838 were to be enacted in its present form, with effective date provisions conforming to the description of such provisions contained in the Joint Statement, interest on the Series 58 Bonds would be exempt from Federal income taxation.

In addition, H.R. 3838 provides that for taxable years beginning in 1988, property and casualty insurance companies may be subject to an alternate method of taxation that would include, among other items, interest on obligations such as the Series 58 Bonds in the relevant income computation. The Joint Statement does not purport to modify, or to extend the effective date with respect to, this provision.

The Senate Committee on Finance currently is considering various proposals with the objective of formulating a comprehensive tax bill for consideration by the full Senate.

There can be no assurance that the Joint Statement will not be amended or revised, or that H.R. 3838 will not be amended prior to enactment, or that additional or alternative legislation will not be considered by the House of Representatives or the Senate and ultimately enacted after the issuance of the Series 58 Bonds, so as to cause interest on the Series 58 Bonds to be subject to Federal income taxation or to impose additional requirements as a condition to such exemption.

PART 19—LEGAL OPINIONS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 58 Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. The approving opinion of Bond Counsel with respect to the Series 58 Bonds will be in substantially the form attached to this Official Statement as Exhibit B. The special opinion of Bond Counsel regarding H.R. 3838 will be in substantially the form attached to this Official Statement as Exhibit C. The opinion of Bond Counsel with respect to the payment of the Series 28, 29 and 30 Bonds will be in substantially the form attached to this Official Statement as Exhibit D. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Carter, Ledyard & Milburn, New York, New York, have acted as counsel for the Trustee.

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

PART 20—UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 58 Bonds from the Corporation at a discount from the initial public offering prices equal to  % of the principal amount of the Series 58 Bonds. The Underwriters may offer to sell such Series 58 Bonds to certain dealers and others at prices lower than the initial public offering prices and the public offering prices 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 Series
Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

PART 21—FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended June 30, 1985 and the accompanying report thereon by Price Waterhouse, the Corporation's independent accountants, and the unaudited financial statements of the Corporation for the nine months ended March 31, 1986 are annexed hereto as Exhibit A. Subsequent to the March 31, 1986 unaudited financial statements, the following events took place and are not included in those financial statements: (i) the receipt on April 12, 1986 of $25.6 million for First Resolution purposes and (ii) the issuance of $877,450 million of Series 57 Bonds on April 23, 1986.

Lazard Freres & Co. is acting without compensation as financial advisor to the Corporation. Felix G. Rohatyn, Chairman of the Corporation, and Eugene J. Keilin, a Director of the Corporation, are General Partners of such firm.

The references herein to the Act, the Emergency Act, the Tax Law, the Finance Law, the Agreements, and 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
APPENDIX
Definitions

The following are definitions of certain of the terms used in this Official Statement.

Act—New York State Municipal Assistance Corporation Act and the Municipal Assistance Corporation
For the city of New York Act, each as amended to date (Sections 3001 through 3040 of the State
Public Authorities Law).

Agreements—Financing Agreement and the agreements relating to the issuance of bonds by the City
guaranteed by the United States of America.

Agreement to Guarantee—An agreement dated as of November 15, 1978, among the Corporation, the
City, the State, the United States of America and the Financial Control Board providing for
the federal guarantee of up to $1.65 billion of City bonds to be issued pursuant to the Debt Issuance Plan.

Board—Board of Directors of the Corporation.

Bond Service Fund—the bond service fund established under the Second General Bond Resolution and
held by the Trustee.

Capital Reserve Aid Fund—the capital reserve fund established under the Second General Bond
Resolution and held by the Trustee.

Capital Reserve Fund—the capital reserve fund established under the First General Bond Resolution
and held by the trustee thereunder.

City Pension Funds—various City employee pension funds which are parties to the Financing
Agreement and participants in the Debt Issuance Plan.

Control Board—New York State Financial Control Board which was created in September 1975
pursuant to the Emergency Act.

Corporation—Municipal Assistance Corporation For The City of New York.

Debt Issuance Plan—the financing plan calling for the issuance of bonds and notes of the Corporation
and the City.

Emergency Act—the New York State Financial Emergency Act for the City of New York, as amended
to date.

Financial Institutions—various commercial banks, savings banks, and insurance companies which are
parties to the Financing Agreement and participants in the Debt Issuance Plan.

Financing Agreement—an agreement dated as of November 15, 1978 among the Corporation, the
Financial Institutions and the City Pension Funds.


First General Bond Resolution—the General Bond Resolution of the Corporation adopted July 2, 1975,
as amended and supplemented.

First Resolution Obligations—Bonds, Notes or Other Obligations (each as defined in the First General
Bond Resolution) that are or may be issued pursuant to the First General Bond Resolution.
**Fiscal Year**—for the Corporation and the City, the 12 months ended June 30; for the State, the 12 months ended March 31.

**Guaranty Fund**—fund created in connection with the guarantee of bonds of the City by the United States of America, which, prior to the issuance of any Federal guarantees, must contain 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 bonds of the City.

**Municipal Assistance State Aid Fund**—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Per Capita Aid is paid.

**Municipal Assistance Tax Fund**—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Sales Tax and, if necessary, Stock Transfer Tax is paid.

**1978 State Covenant**—a covenant of the State that it will not take certain actions with respect to the Control Board.

**Per Capita Aid**—amounts of revenue available to the Corporation (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 Finance Law.

**Sales Tax**—collections of the State sales and compensating use taxes formerly imposed by the City, and now imposed by the State within the City.

**Second General Bond Resolution**—the second general bond resolution of the Corporation adopted November 25, 1975, as amended and supplemented.

**Second Resolution Bonds**—bonds that are or may be issued pursuant to the Second General Bond Resolution.

**Secretary**—the Secretary of the Treasury of the United States.

**Series 58 Bonds**—the Bonds described in this Official Statement authorized to be issued pursuant to the Series 58 Resolution.

**Series 58 Resolution**—the Series Resolution of the Corporation authorizing the Series 58 Bonds.

**Stock Transfer Tax**—collections of the State stock transfer tax.

**Stock Transfer Tax Fund**—the fund established for the Corporation pursuant to the Finance Law in the Custody of the Commissioner of Taxation and Finance into which the Stock Transfer Tax is paid.

**Tax Law**—the State Tax Law of New York.

**Trustee**—United States Trust Company of New York, as Trustee under the Second General Bond Resolution.
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, Statement of Changes in Funds Available to Purchase City of New York Obligations, Summary of Changes in Funding Requirement and the related Debt Service, Capital Reserve and Guaranty Funds and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1985 and the Debt Service Fund, Capital Reserve Funds, Guaranty Fund and Operating Fund transactions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. 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.

PRICE WATERHOUSE

153 East 53rd Street
New York, New York 10022
July 31, 1985
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>LIABILITIES:</th>
<th>March 31, 1986</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>First General Resolution Bonds</td>
<td>$1,664,738,000</td>
<td>$1,681,588,000</td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>6,255,000,000</td>
<td>6,006,250,000</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>7,919,738,000</td>
<td>7,687,838,000</td>
</tr>
<tr>
<td>Commercial Paper Notes</td>
<td>243,000,000</td>
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</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>52,444,313</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on notes payable</td>
<td>1,621,696</td>
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<td>Payable for investment securities purchased</td>
<td>8,904,600</td>
<td></td>
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<tr>
<td>Required Guaranty Fund balance</td>
<td>32,895,163</td>
<td></td>
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<tr>
<td>Operating Fund</td>
<td>1,673,792</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>8,088,113,663</td>
<td>8,028,377,564</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASSETS:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>6,781</td>
<td>4,038</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>738,644,526</td>
<td>566,582,973</td>
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<tr>
<td>Accrued interest on marketable securities</td>
<td>12,052,512</td>
<td>1,553,538</td>
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<tr>
<td>City of New York obligations</td>
<td>1,665,106,000</td>
<td>1,639,698,000</td>
</tr>
<tr>
<td>Accrued interest on City of New York obligations</td>
<td>8,052,927</td>
<td>49,479,099</td>
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<tr>
<td>Funds Available to Purchase City of New York Obligations</td>
<td>536,636,703</td>
<td>680,636,703</td>
</tr>
<tr>
<td>Total Debt Service Fund</td>
<td>2,960,499,449</td>
<td>2,937,954,351</td>
</tr>
</tbody>
</table>

| First Capital Reserve Fund:                    |                  |                 |
| Cash                                          | 704              |                 |
| Investments in marketable securities           | 300,372,684      | 326,239,374     |
| Accrued interest                              | 5,743,208        | 5,559,169       |
| Total First Capital Reserve Fund              | 306,116,596      | 331,798,543     |

| Second Capital Reserve Fund:                   |                  |                 |
| Cash                                          | 1,493            |                 |
| Investments in marketable securities           | 848,324,725      | 793,906,843     |
| Accrued interest                              | 14,967,080       | 17,837,900      |
| Total Second Capital Reserve Fund             | 863,291,805      | 811,746,236     |

| Guaranty Fund:                                 |                  |                 |
| Investments in marketable securities           | 67,770           | 34,208,423      |
| Total Guaranty Fund                           | 67,770           | 34,208,423      |

| Operating Fund                                 | 11,592,153       | 7,062,781       |
| Total assets                                   | 4,141,567,773    | 4,122,770,334   |
| Funding requirement                            | $3,946,545,890   | $3,905,607,230  |

See accompanying notes to the financial statements.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
DEBT SERVICE, CAPITAL RESERVE AND GUARANTY FUNDS
STATEMENT OF TRANSACTIONS

FOR THE NINE MONTHS ENDED MARCH 31, 1986
FOR THE FISCAL YEAR ENDED JUNE 30, 1985
(UNAUDITED)

RECEIPTS:

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 1986</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount of bonds issued for refunding</td>
<td>$ -0-</td>
<td>$ 362,310,000</td>
</tr>
<tr>
<td>purposes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>-0-</td>
<td>(8,147,876)</td>
</tr>
<tr>
<td>Net proceeds from issuance of bonds</td>
<td>-0-</td>
<td>354,162,124</td>
</tr>
<tr>
<td>Sales tax allocation received from State of New</td>
<td>168,000,000</td>
<td>559,400,000</td>
</tr>
<tr>
<td>York</td>
<td></td>
<td></td>
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<tr>
<td>Income from investments</td>
<td>77,894,329</td>
<td>133,074,363</td>
</tr>
<tr>
<td>Income from City of New York obligations</td>
<td>128,415,754</td>
<td>170,164,868</td>
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<tr>
<td>Accrued interest received on issuance of bonds</td>
<td>1,343,655</td>
<td>7,439,494</td>
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<tr>
<td>City of New York obligations acquired</td>
<td>148,000,000</td>
<td>240,230,000</td>
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<tr>
<td>Transfers from Guaranty Fund</td>
<td>34,750,092</td>
<td>27,749,104</td>
</tr>
<tr>
<td>Transfers from First Capital Reserve Fund</td>
<td>45,126,151</td>
<td>8,229,144</td>
</tr>
<tr>
<td>Transfers from Second Capital Reserve Fund</td>
<td>632,110</td>
<td>49,281,282</td>
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<tr>
<td>Transfer for Funds Available to Purchase City of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York Obligations</td>
<td>(4,000,000)</td>
<td>-0-</td>
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<tr>
<td>Total</td>
<td>600,162,091</td>
<td>1,549,730,379</td>
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<td>First Capital Reserve Fund:</td>
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<tr>
<td>Income from investments</td>
<td>19,859,752</td>
<td>30,498,830</td>
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<tr>
<td>Transfers to Debt Service Fund</td>
<td>(45,126,151)</td>
<td>(8,229,144)</td>
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<tr>
<td>Total</td>
<td>(25,266,399)</td>
<td>22,269,686</td>
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<td>Second Capital Reserve Fund:</td>
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<tr>
<td>Income from investments</td>
<td>55,670,263</td>
<td>78,286,710</td>
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<tr>
<td>Transfers from bond proceeds</td>
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<td>27,379,400</td>
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<tr>
<td>Transfers to Debt Service Fund</td>
<td>(632,110)</td>
<td>(49,281,282)</td>
</tr>
<tr>
<td>Total</td>
<td>55,038,153</td>
<td>56,384,828</td>
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<td>Guaranty Fund:</td>
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<tr>
<td>Income from investments</td>
<td>609,439</td>
<td>3,957,915</td>
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<tr>
<td>Transfers to Debt Service Fund</td>
<td>(34,750,092)</td>
<td>(27,749,104)</td>
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<tr>
<td>Total</td>
<td>(34,140,653)</td>
<td>(23,791,189)</td>
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<tr>
<td>Decrease in requirement for Guaranty Fund</td>
<td>32,841,413</td>
<td>23,377,539</td>
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<tr>
<td>Total receipts</td>
<td>628,634,605</td>
<td>1,627,971,243</td>
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EXPENDITURES:

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<thead>
<tr>
<th>Description</th>
<th>March 31, 1986</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on First General Resolution Bonds</td>
<td>94,231,263</td>
<td>132,562,215</td>
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<tr>
<td>Interest on Second General Resolution Bonds</td>
<td>426,610,354</td>
<td>562,818,030</td>
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<tr>
<td>Interest on Commercial Paper Notes</td>
<td>2,521,144</td>
<td>14,046,971</td>
</tr>
<tr>
<td>Principal repayment of First General Resolution</td>
<td>16,850,000</td>
<td>16,450,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Less: Discount on purchases</td>
<td>-0-</td>
<td>(4,560,697)</td>
</tr>
<tr>
<td>Net cost</td>
<td>-0-</td>
<td>195,034,343</td>
</tr>
<tr>
<td>Total debt service</td>
<td>540,212,761</td>
<td>920,911,559</td>
</tr>
<tr>
<td>Deposit for defeasance</td>
<td>496,201</td>
<td>354,162,124</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>540,708,962</td>
<td>1,275,073,683</td>
</tr>
<tr>
<td>Excess of receipts over expenditures for the</td>
<td>$ 87,925,643</td>
<td>$ 352,897,560</td>
</tr>
<tr>
<td>period</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

STATEMENT OF CHANGES IN FUNDS AVAILABLE TO PURCHASE
CITY OF NEW YORK OBLIGATIONS

<table>
<thead>
<tr>
<th></th>
<th>For the nine months ended March 31, 1986 (Unaudited)</th>
<th>For the fiscal year ended June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECEIPTS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount of bonds issued</td>
<td>$ 248,750,000</td>
<td>$ 360,000,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>(4,189,977)</td>
<td>(7,620,600)</td>
</tr>
<tr>
<td>Transfers to Second Capital Reserve Fund</td>
<td>-0-</td>
<td>(27,379,400)</td>
</tr>
<tr>
<td>Deposit for defeasance</td>
<td>(244,560,023)</td>
<td>-0-</td>
</tr>
<tr>
<td>Net proceeds available—bonds</td>
<td>-0-</td>
<td>325,000,000</td>
</tr>
<tr>
<td>Principal amount of notes issued</td>
<td>359,390,000</td>
<td>1,355,155,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal repayment of notes</td>
<td>(359,390,000)</td>
<td>(1,355,155,000)</td>
</tr>
<tr>
<td>Net proceeds available—notes</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Transfer from Debt Service Fund</td>
<td>4,000,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Total proceeds available</td>
<td>4,000,000</td>
<td>325,000,000</td>
</tr>
</tbody>
</table>

DISTRIBUTIONS:

Purchase of City of New York obligations for Debt Service Fund | (148,000,000) | (240,230,000) |

Net change for the period | $ (144,000,000) | $ 84,770,000 |

FUNDS AVAILABLE TO PURCHASE CITY OF NEW YORK OBLIGATIONS:

For the period | $ (144,000,000) | $ 84,770,000 |
At beginning of period | 680,636,703 | 595,866,703 |
At end of period | $ 536,636,703 | $ 680,636,703 |

SUMMARY OF CHANGES IN FUNDING REQUIREMENT

<table>
<thead>
<tr>
<th></th>
<th>For the nine months ended March 31, 1986 (Unaudited)</th>
<th>For the fiscal year ended June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding requirement at beginning of period</td>
<td>$3,905,607,230</td>
<td>$4,165,284,587</td>
</tr>
<tr>
<td>Changes during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in debt outstanding</td>
<td>(11,100,000)</td>
<td>179,420,000</td>
</tr>
<tr>
<td>Debt Service, Capital Reserve and Guaranty Funds</td>
<td>(87,925,643)</td>
<td>(352,897,560)</td>
</tr>
<tr>
<td>Funds available to purchase City of New York obligations</td>
<td>144,000,000</td>
<td>(84,770,000)</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>(4,035,697)</td>
<td>(1,429,797)</td>
</tr>
<tr>
<td>Funding requirement at end of period</td>
<td>$3,946,545,890</td>
<td>$3,905,607,230</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
OPERATING FUND
STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>For the nine months ended March 31, 1986 (Unaudited)</th>
<th>For the fiscal year ended June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECEIPTS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>$10,600,000</td>
<td>$10,600,000</td>
</tr>
<tr>
<td>Income from investments</td>
<td>368,693</td>
<td>470,276</td>
</tr>
<tr>
<td>Total receipts</td>
<td>10,968,693</td>
<td>11,070,276</td>
</tr>
<tr>
<td>EXPENDITURES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt issuance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>315,270</td>
<td>537,465</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>1,597,681</td>
<td>2,525,077</td>
</tr>
<tr>
<td>Total</td>
<td>1,912,951</td>
<td>3,062,542</td>
</tr>
<tr>
<td>Debt administration</td>
<td>587,310</td>
<td>1,291,159</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Special Deputy Comptroller</td>
<td>1,850,857</td>
<td>1,834,735</td>
</tr>
<tr>
<td>Financial Control Board</td>
<td>1,309,449</td>
<td>1,706,697</td>
</tr>
<tr>
<td>Total</td>
<td>3,160,306</td>
<td>3,541,432</td>
</tr>
<tr>
<td>Investment administration</td>
<td>55,010</td>
<td>138,340</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>473,536</td>
<td>649,009</td>
</tr>
<tr>
<td>General administration</td>
<td>743,883</td>
<td>957,997</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>6,932,996</td>
<td>9,640,479</td>
</tr>
<tr>
<td>Excess of receipts over expenditures for the period</td>
<td>$ 4,035,697</td>
<td>$ 1,429,797</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
(All data relating to March 31, 1986 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 by State legislation adopted in June 1975 (as amended to date, the "Act") for purposes of providing financing assistance and fiscal oversight for The City of New York (the "City"). To carry out such purposes, the Corporation, among other things, issues and sells bonds and notes to pay or loan funds received from such sales to the City and exchanges the Corporation’s obligations for those of the City.

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. Interest income from investments and interest expense on the Corporation’s debt are recorded on the accrual basis. Income from investments includes realized gains and losses from sales of investments. With respect to the Debt Service Fund, income from investments also includes provision for unrealized losses or reversals of prior provisions for unrealized losses on such investments. The Corporation’s debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund as incurred and become part of 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 date such amounts are segregated for that purpose by the Trustee under the bond resolutions. The funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

Debt service funds paid to the Corporation in advance of disbursement to bondholders are temporarily invested pursuant to the terms of the bond resolutions and the income therefrom is credited to the Debt Service Fund.

Investments in marketable securities held in the Capital Reserve and Guaranty Funds are carried at amortized cost and investments in marketable securities in the Debt Service Fund are carried at the lower of cost or market value, inclusive of accrued interest, in accordance with the bond resolutions pursuant to which they were established. These investments consist of direct obligations of, or obligations guaranteed by, the State or the United States of America, or certain other permitted investments. City of New York obligations are carried at cost.

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

Debt Authorization—

The Corporation was authorized by the Act to issue, until December 31, 1984, obligations in an aggregate principal amount of $10 billion, of which the Corporation issued approximately $9.445 billion, exclusive of obligations issued to refund outstanding obligations of the Corporation and of notes issued to enable the City to fulfill its seasonal borrowing requirements. No obligations of the Corporation may mature later than July 1, 2008, and as of January 1, 1985, no new obligations may be issued by the Corporation except to renew or refund outstanding obligations. The Corporation may issue such new obligations provided their issuance would not cause certain debt service limitations and debt service coverage ratios to be exceeded. See Exhibits I, II and III, which are an integral part of the Corporation’s Financial Statements.
Funding Methods—

The Corporation funds its debt service requirements and operating expenses 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 such taxes and per capita aid not required by the Corporation are available to the City.

All 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.

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from 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. In 1977, the State enacted a program of gradually increasing rebates for all stock transfer taxpayers. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the stock transfer tax at the present rate but will be entitled to a 100% rebate should the Corporation not require the funds. To date, the Corporation has not found it necessary to use the revenues derived from the stock transfer tax to pay its debt service.

The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the year ended June 30, 1985 amounted to $2,803.8 million. The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the three and twelve month periods ended March 31, 1986 amounted to $879.6 million and $3,109.1 million, respectively, as shown below:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3/31/86</td>
<td>3/31/85</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$ 507.9</td>
<td>$ 458.3</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>371.7</td>
<td>282.4</td>
</tr>
<tr>
<td>Total</td>
<td>$ 879.6</td>
<td>$ 740.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Twelve Months Ended</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3/31/86</td>
<td>3/31/85</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$1,876.6</td>
<td>$1,733.5</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>1,232.5</td>
<td>973.7</td>
</tr>
<tr>
<td>Total</td>
<td>$3,109.1</td>
<td>$2,707.2</td>
</tr>
</tbody>
</table>

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.

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 Municipal Assistance State Aid Fund, which is funded from per capita 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, the Corporation has been advised that no such
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS—(Continued)
(All data relating to March 31, 1986 and the period then ended are unaudited)

claims have been asserted since the inception of the Corporation. Also, the Corporation was advised that
total per capita aid paid into the Municipal Assistance State Aid Fund during the twelve months ended June
30, 1985 and March 31, 1986 amounted to $484 million and $562 million, respectively.

To the extent that funds are available from investment income, receipt of principal and interest
payments on obligations of the City and other sources, they may be used to reduce the Corporation’s funding
requirement.

The Corporation certified to and was paid on April 12, 1986, $25.6 million of sales tax revenues from the
Municipal Assistance Tax Fund for First General Bond Resolution purposes.

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.
The Corporation may from time to time purchase at a price equal to or less than par certain of its securities to
satisfy its sinking fund requirements.

Refunded Bonds—
The Corporation’s bonds may be refunded in advance of their maturity in accordance with provisions of
the First and Second General Bond Resolutions by placing in trust with the Trustee sufficient moneys or
certain securities which together with investment income will be sufficient to pay principal and interest when
due on the bonds which have been refunded. Although they remain valid debt instruments with regard to
principal and interest payable thereon from the moneys or securities placed in trust, advance refunded bonds
are deemed to have been paid within the meaning of the First and Second General Bond Resolutions and are
therefore no longer presented as liabilities of the Corporation. At June 30, 1985 and March 31, 1986, $1,029.2
million and $713.1 million, respectively, of the Corporation’s bonds which have been advance refunded
remain valid debt instruments.

NOTE 4—Capital Reserve Funds:
Capital Reserve Funds have been established under each of the Corporation’s general bond resolutions,
in conformance with the requirements of the Act, to provide security for payment of interest on and principal
of the bonds issued under each of the respective resolutions. The amount required to be on deposit in each of
the Capital Reserve Funds is 100% of the principal (including sinking fund installments) and interest
maturing or otherwise due or becoming due during the succeeding calendar year on outstanding bonds issued
under the respective resolutions.

At June 30, 1985, the First General Bond Resolution Capital Reserve Fund balance was $331.4 million,
net of payable for investment securities purchased of $415,000 and the Second General Bond Resolution
Capital Reserve Fund balance was $808.2 million, net of payable for investment securities purchased of $3.5
million. At March 31, 1986, the First General Bond Resolution Capital Reserve Fund balance was $306.1
million, and the Second General Bond Resolution Capital Reserve Fund balance was $863.3 million. Such
levels equalled or exceeded the required funding levels.

NOTE 5—Guaranty Fund:
In connection with the issuance by the City of Federally guaranteed obligations, a Guaranty Fund has
been established by the Corporation. The Corporation was required, at the time of each issuance of
guaranteed City obligations, to have on deposit in the Guaranty Fund a specified amount and to maintain
that amount in accordance with certain statutory and contractual conditions. The moneys on deposit in the
Guaranty Fund, up to a specified amount, are available for the benefit of the United States of America in the event the City is unable to meet debt service requirements on certain City obligations for which the payment of principal and interest is guaranteed by the United States of America. Such specified amount is presented as a liability of the Corporation. To the extent moneys on deposit in the Guaranty Fund exceed the amount required, the Corporation is entitled to withdraw such excess from the Guaranty Fund and the United States of America has no further claim on such moneys. At June 30, 1985 and March 31, 1986, no claim has been asserted. Moneys on deposit in the Guaranty Fund are invested in direct obligations of the United States of America.

NOTE 6—Operating Fund:

The Operating Fund provides for the expenses of carrying out the Corporation’s duties and functions and is funded from the Municipal Assistance Tax Fund. The Operating Fund accounts have been prepared on the accrual basis of accounting. The Corporation’s administrative expenses of debt issuance and service are charged to the Operating Fund as incurred. The assets of the Operating Fund at June 30, 1985 included approximately $572,000 of securities purchased under an agreement to resell, approximately $4,758,000 of investments in marketable securities, approximately $1,464,000 of prepaid expenses relating to commercial paper and approximately $267,000 for computer equipment and related software which is being depreciated on a straight line basis over a five year period which began January 1, 1982. The assets of the Operating Fund at March 31, 1986 included approximately $1,099,000 of securities purchased under an agreement to resell, approximately $10,357,000 of investments in marketable securities and approximately $133,000 for computer equipment and related software which is being depreciated on a straight line basis over a five year period which began January 1, 1982. The Corporation entered into a loan agreement in fiscal 1982 with the United States Trust Company of New York to finance the cost of the computer and related software. The balance of this loan at June 30, 1985 and March 31, 1986 was $100,000 which is due June 30, 1986. The loan bears interest at 9 1/4% which is payable semiannually. This loan is included in total operating fund liabilities.

NOTE 7—New York City Obligations Held by the Corporation:

Since October 1980, the Corporation has been acquiring bonds of the City, as part of a program to provide for a significant portion of the City’s capital financing requirements, by using the net proceeds of the Corporation’s debt issuances to purchase City bonds with similar maturities. Prior to October 1980, the Corporation had acquired bonds of the City in connection with certain other transactions.

At June 30, 1985 and March 31, 1986, the Corporation held $1,639.7 million and $1,665.1 million, respectively, principal amount of City bonds. The City obligations held at March 31, 1986 bear interest at rates ranging from 5.0% to 13.6% and will mature on September 15 in each year as shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Maturing (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$129,092</td>
</tr>
<tr>
<td>1987</td>
<td>119,119</td>
</tr>
<tr>
<td>1988</td>
<td>113,558</td>
</tr>
<tr>
<td>1989</td>
<td>98,009</td>
</tr>
<tr>
<td>1990</td>
<td>93,189</td>
</tr>
<tr>
<td>1991-1995</td>
<td>481,344</td>
</tr>
<tr>
<td>1996-2000</td>
<td>398,673</td>
</tr>
<tr>
<td>2001-2005</td>
<td>170,362</td>
</tr>
<tr>
<td>2006-2007</td>
<td>61,760</td>
</tr>
</tbody>
</table>

$1,665,106
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS—(Continued)

(All data relating to March 31, 1986 and the period then ended are unaudited)

The Corporation, in connection with the issuance of commercial paper notes, has entered into credit agreements under which it has pledged certain City obligations as collateral. The City has agreed that all bonds pledged as collateral may be sold without further consent of the City. All bonds not pledged as collateral may not be sold without the consent of the City. At June 30, 1985, approximately $307 million principal amount of City bonds were pledged. During the nine month period ended March 31, 1986, the Corporation terminated its Commercial Paper Program. All outstanding commercial paper notes matured and were paid by March 31, 1986. As a result, the pledging of City bonds is no longer required.

The Corporation, in making its certification for funds to the State, is required to exclude from consideration any amounts it expects to receive as payment on City obligations until such amounts are received.

NOTE 8—Commitments:

The Corporation and the City have developed a Debt Issuance Plan (the “Plan”) to provide for a significant portion of the City’s long-term financing requirements through fiscal 1989. Under the Plan, proceeds of debt issuances of the Corporation have been used, among other things, to provide a source of funding for a portion of the City’s capital program by purchasing bonds of the City and to refund certain existing obligations of the Corporation. At June 30, 1985 and March 31, 1986, approximately $681 million and $537 million, respectively, was available to purchase City obligations to fund the City’s capital program. The Plan, as of April 2, 1986, provides for additional public sales of the Corporation’s obligations of approximately $877.45 million, including the Series 57 Bonds, through fiscal 1989 for refunding purposes.

On April 23, 1986, the Corporation issued $877.45 million of its Series 57 Bonds under its Second General Bond Resolution. All of the net proceeds of the sale were used to advance refund its Second Resolution Series 25, 26, 32, 33, 36, and 39 Bonds. The Financial Statements do not give effect to this transaction, although the Exhibits do.

The Corporation continued to issue its Series 4 commercial paper notes secured by a credit agreement with Citibank, N.A. and Manufacturers Hanover Trust Company for the purpose of refunding maturing commercial paper notes. Such short-term obligations have a claim on the sales tax, stock transfer tax or per capita aid revenues subordinate to First and Second General Resolution Bonds. If the credit agreement is used to pay the short-term obligations, the Corporation’s obligation to the banks will be repayable over a period of at least five years through the issuance of bonds or otherwise. The Corporation has authorized the issuance of up to $250 million of such short-term obligations, which serves as an alternative to selling bonds publicly in such amount. At June 30, 1985, the Corporation had $243 million of such short-term obligations outstanding at interest rates ranging from 3.75% to 5.25% and maturities ranging from 13 days to 180 days. All such notes have now been paid, as described in Note 7, and the Corporation has terminated the credit agreement following the payment of the final outstanding Series 4 Note on March 31, 1986.

On March 30, 1984, the Corporation entered into an agreement with the State and the City to make available approximately $1.075 billion of revenues to the City through fiscal year 1988. Revenues made available pursuant to this agreement are determinable at the close of the Corporation’s fiscal year. As of June 30, 1985, the Corporation had made available $590 million of these revenues.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS—(Continued)
(All data relating to March 31, 1986 and the period then ended are unaudited)

On April 2, 1986, the Corporation, the State and the City announced an agreement to make available $1.6 billion of additional revenues during the 1987 through 1995 fiscal years. These revenues are in addition to those covered by the March 1984 agreement.

The Corporation has agreed to reimburse the New York State Office of the Special Deputy Comptroller for the City of New York and the Financial Control Board for the cost of providing certain oversight services of the City’s financial affairs.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS—(Concluded)
(All data relating to March 31, 1986 and the period then ended are unaudited)

NOTE 9—Investments in Marketable Securities:

<table>
<thead>
<tr>
<th>Debt Service Fund</th>
<th>March 31, 1986</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities Purchased Under Agreements to Resell</td>
<td>$1,524</td>
<td>$1,524</td>
</tr>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>1,221,355</td>
<td>1,212,177</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Obligations of the Corporation</td>
<td>10,190</td>
<td>10,378</td>
</tr>
<tr>
<td>One to Five Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>50,000</td>
<td>51,391</td>
</tr>
<tr>
<td></td>
<td>$1,283,069</td>
<td>$1,275,470</td>
</tr>
</tbody>
</table>

Less:

| Amount allocated to Funds Available to Purchase City of New York Obligations | (536,637) | (680,637) |
| Total | $738,645 | $566,583 |

First Capital Reserve Fund

| Securities Purchased Under Agreements to Resell | $-0- | $-0- | $-0- | $146 |
| Obligations Maturing in Less than One Year | | | | |
| U.S. Treasury | 127,932 | 127,928 | 126,906 | 62,501 |
| U.S. Government Agencies | -0- | -0- | -0- | 103,910 |
| One to Five Years | | | | |
| U.S. Treasury | 149,530 | 157,305 | 150,251 | 106,643 |
| U.S. Government Agencies | 11,190 | 11,044 | 11,093 | 45,847 |
| Five Years or Greater | | | | |
| U.S. Treasury | 4,745 | 5,101 | 4,925 | -0- |
| U.S. Government Agencies | 7,260 | 7,151 | 7,198 | 7,192 |
| Total | $300,657 | $308,529 | $300,373 | $326,239 |

Second Capital Reserve Fund

| Obligations Maturing in Less than One Year | | | | |
| U.S. Treasury | $318,994 | $320,384 | $316,800 | $282,365 |
| U.S. Government Agencies | -0- | -0- | -0- | 154,897 |
| One to Five Years | | | | |
| U.S. Treasury | 453,120 | 473,903 | 457,870 | 226,800 |
| U.S. Government Agencies | 73,690 | 73,639 | 73,655 | 98,404 |
| Five Years or Greater | | | | |
| U.S. Treasury | -0- | -0- | -0- | 4,959 |
| U.S. Government Agencies | -0- | -0- | -0- | 26,482 |
| Total | $845,804 | $867,926 | $848,325 | $793,907 |

Guaranty Fund

| Obligations Maturing in Less than One Year | $70 | $68 | $68 | $34,208 |
| U.S. Treasury | | | | |
| Total | $70 | $68 | $68 | $34,208 |
## MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
### BONDS OUTSTANDING
#### (In Thousands)

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption Date</th>
<th>Interest Rate</th>
<th>March 31, 1986†</th>
<th>June 30, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Unaudited)</td>
<td></td>
</tr>
<tr>
<td><strong>First General Resolution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BB</td>
<td>1986</td>
<td>6%</td>
<td>5</td>
<td>$ 16,850</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>HH</td>
<td>1988-1995</td>
<td>7.5%</td>
<td>1,414,738</td>
<td>1,414,738</td>
</tr>
<tr>
<td><strong>Total First Resolution</strong></td>
<td></td>
<td></td>
<td>1,664,738</td>
<td>1,681,588</td>
</tr>
<tr>
<td><strong>Second General Resolution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>1986-1991</td>
<td>8%</td>
<td>96,820</td>
<td>96,820</td>
</tr>
<tr>
<td>6</td>
<td>1986-1991</td>
<td>8%</td>
<td>12,600</td>
<td>12,600</td>
</tr>
<tr>
<td>7</td>
<td>1986-1992</td>
<td>9.75%</td>
<td>318,715</td>
<td>318,715</td>
</tr>
<tr>
<td>8</td>
<td>1986-1992</td>
<td>7.5%</td>
<td>165,650</td>
<td>165,650</td>
</tr>
<tr>
<td>9</td>
<td>1986-1992</td>
<td>7.5%</td>
<td>679,230</td>
<td>679,230</td>
</tr>
<tr>
<td>10</td>
<td>1999-2008</td>
<td>8.375%</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>11</td>
<td>1996-1998</td>
<td>8.375%</td>
<td>134,770</td>
<td>134,770</td>
</tr>
<tr>
<td>12</td>
<td>1986-1998</td>
<td>8.375%</td>
<td>58,320</td>
<td>58,320</td>
</tr>
<tr>
<td>13</td>
<td>1986-1998</td>
<td>7.95%-8.5%</td>
<td>194,250</td>
<td>194,250</td>
</tr>
<tr>
<td>14</td>
<td>1989-1999</td>
<td>8.1%-8.625%</td>
<td>125,000</td>
<td>125,000</td>
</tr>
<tr>
<td>15</td>
<td>1999-2008</td>
<td>8.125%</td>
<td>125,000</td>
<td>125,000</td>
</tr>
<tr>
<td>16</td>
<td>1993-1999</td>
<td>7.4%-7.625%</td>
<td>132,235</td>
<td>132,235</td>
</tr>
<tr>
<td>17</td>
<td>1986-1999</td>
<td>7.875%</td>
<td>84,170</td>
<td>84,170</td>
</tr>
<tr>
<td>18</td>
<td>1986-1999</td>
<td>8.75%</td>
<td>60,335</td>
<td>60,335</td>
</tr>
<tr>
<td>19</td>
<td>2000-2008</td>
<td>9%</td>
<td>90,000</td>
<td>90,000</td>
</tr>
<tr>
<td>20</td>
<td>2000-2008</td>
<td>8.5%</td>
<td>64,270</td>
<td>64,270</td>
</tr>
<tr>
<td>21</td>
<td>1986-1999</td>
<td>8.75%</td>
<td>188,805</td>
<td>188,805</td>
</tr>
<tr>
<td>22</td>
<td>1986-1999</td>
<td>8.75%</td>
<td>135,355</td>
<td>135,355</td>
</tr>
<tr>
<td>23</td>
<td>2000-2008</td>
<td>9.1%</td>
<td>125,000</td>
<td>125,000</td>
</tr>
<tr>
<td>24</td>
<td>1986-2008</td>
<td>8.25%-9.75%</td>
<td>74,300</td>
<td>74,300</td>
</tr>
<tr>
<td>25</td>
<td>1986-2000</td>
<td>10.75%</td>
<td>–0–</td>
<td>142,835</td>
</tr>
<tr>
<td>26</td>
<td>1986-2000</td>
<td>10.75%</td>
<td>–0–</td>
<td>102,440</td>
</tr>
<tr>
<td>27</td>
<td>1995-2008</td>
<td>10.625%</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>28</td>
<td>1986-2007</td>
<td>10.625%</td>
<td>29,780</td>
<td>29,780</td>
</tr>
<tr>
<td>29</td>
<td>1986-2000</td>
<td>11.375%</td>
<td>119,075</td>
<td>119,075</td>
</tr>
<tr>
<td>30</td>
<td>1986-2000</td>
<td>11.375%</td>
<td>85,390</td>
<td>85,390</td>
</tr>
<tr>
<td>32</td>
<td>1986-2001</td>
<td>13.375%</td>
<td>–0–</td>
<td>195,630</td>
</tr>
<tr>
<td>33</td>
<td>1986-2001</td>
<td>13.375%</td>
<td>–0–</td>
<td>108,920</td>
</tr>
<tr>
<td>36</td>
<td>1986-2007</td>
<td>12.75%</td>
<td>–0–</td>
<td>53,505</td>
</tr>
<tr>
<td>39</td>
<td>1986-2008</td>
<td>10%-13%</td>
<td>–0–</td>
<td>93,140</td>
</tr>
<tr>
<td>40</td>
<td>1995-2003</td>
<td>9.25%-9.875%</td>
<td>175,000</td>
<td>175,000</td>
</tr>
<tr>
<td>41</td>
<td>2004-2008</td>
<td>9.7%</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>42</td>
<td>1986-2007</td>
<td>9.7%</td>
<td>18,940</td>
<td>18,940</td>
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<tr>
<td>44</td>
<td>1995-2008</td>
<td>10%-10.875%</td>
<td>210,000</td>
<td>210,000</td>
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<tr>
<td>45</td>
<td>1986-1998</td>
<td>6.5%-8.5%</td>
<td>101,320</td>
<td>101,320</td>
</tr>
<tr>
<td>46</td>
<td>1986-2008</td>
<td>6.75%-9.875%</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>48</td>
<td>1987-2008</td>
<td>6.75%-9.7%</td>
<td>206,260</td>
<td>206,260</td>
</tr>
<tr>
<td>50</td>
<td>1993-2008</td>
<td>8.4%-10%</td>
<td>226,880</td>
<td>226,880</td>
</tr>
<tr>
<td>51</td>
<td>1993-2008</td>
<td>7.25%-9.875%</td>
<td>175,000</td>
<td>175,000</td>
</tr>
<tr>
<td>52</td>
<td>1999-2008</td>
<td>7.5%-10.25%</td>
<td>135,000</td>
<td>135,000</td>
</tr>
<tr>
<td>54</td>
<td>1994-2008</td>
<td>8%-9.375%</td>
<td>201,770</td>
<td>201,770</td>
</tr>
<tr>
<td>55</td>
<td>1994-2008</td>
<td>8.5%-9.10%</td>
<td>125,000</td>
<td>–0–</td>
</tr>
<tr>
<td>56</td>
<td>1994-2008</td>
<td>7.20%-8.25%</td>
<td>123,750</td>
<td>–0–</td>
</tr>
<tr>
<td>57</td>
<td>1996-2008</td>
<td>6.50%-7.25%</td>
<td>877,450</td>
<td>–0–</td>
</tr>
<tr>
<td><strong>Total Second Resolution</strong></td>
<td></td>
<td></td>
<td>6,435,980</td>
<td>6,066,250</td>
</tr>
<tr>
<td><strong>Total Bonds Outstanding</strong></td>
<td></td>
<td></td>
<td>$8,100,718</td>
<td>$7,687,838</td>
</tr>
</tbody>
</table>

† Excludes refunded bonds and gives effect to the issuance of $877,450,000 of Series 57 Bonds on April 23, 1986.
## EXHIBIT II

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

**SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS**

March 31, 1986

(In Thousands)

(Unaudited)

<table>
<thead>
<tr>
<th>FY ending 6/30</th>
<th>First General Bond Resolution Total Principal and Interest*</th>
<th>Second General Bond Resolution Total Principal and Interest*</th>
<th>Total Principal and Interest*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$31,214†</td>
<td>$178,530†</td>
<td>$209,744†</td>
</tr>
<tr>
<td>1987</td>
<td>174,855</td>
<td>788,621</td>
<td>963,476</td>
</tr>
<tr>
<td>1988</td>
<td>258,605</td>
<td>796,816</td>
<td>1,055,421</td>
</tr>
<tr>
<td>1989</td>
<td>290,793</td>
<td>790,480</td>
<td>1,081,273</td>
</tr>
<tr>
<td>1990</td>
<td>294,793</td>
<td>788,285</td>
<td>1,083,078</td>
</tr>
<tr>
<td>1991</td>
<td>282,480</td>
<td>771,056</td>
<td>1,053,536</td>
</tr>
<tr>
<td>1992</td>
<td>259,980</td>
<td>759,410</td>
<td>1,019,390</td>
</tr>
<tr>
<td>1993</td>
<td>295,543</td>
<td>594,038</td>
<td>889,581</td>
</tr>
<tr>
<td>1994</td>
<td>339,724</td>
<td>602,350</td>
<td>942,074</td>
</tr>
<tr>
<td>1995</td>
<td>171,859</td>
<td>613,097</td>
<td>784,956</td>
</tr>
<tr>
<td>1996</td>
<td></td>
<td>597,478</td>
<td>597,478</td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td>512,645</td>
<td>512,645</td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td>504,974</td>
<td>504,974</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td>520,690</td>
<td>520,690</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td>474,404</td>
<td>474,404</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td>461,426</td>
<td>461,426</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>468,963</td>
<td>468,963</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>459,298</td>
<td>459,298</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>439,785</td>
<td>439,785</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>430,562</td>
<td>430,562</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>421,620</td>
<td>421,620</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>412,423</td>
<td>412,423</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>402,731</td>
<td>402,731</td>
</tr>
<tr>
<td>Total</td>
<td>$2,399,846</td>
<td>$12,789,682</td>
<td>$15,189,528</td>
</tr>
</tbody>
</table>

* Excludes refunded bonds and gives effect to the issuance of $877,450,000 of Series 57 Bonds on April 23, 1986.

† The fiscal year 1986 requirements represent the balance of funding required during the year.
### EXHIBIT III

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

**SUMMARY OF ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS**

March 31, 1986  
(In Thousands)  
(Undated)

<table>
<thead>
<tr>
<th>FY ending 6/30</th>
<th>First General Bond Resolution†</th>
<th>Second General Bond Resolution†</th>
<th>Total Debt Service on Bonds Outstanding*</th>
<th>Estimated Coverage Ratios*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>$124,855</td>
<td>$706,646</td>
<td>$831,501</td>
<td>24.82 4.87</td>
</tr>
<tr>
<td>1988</td>
<td>224,855</td>
<td>783,460</td>
<td>1,008,315</td>
<td>13.78 4.26</td>
</tr>
<tr>
<td>1989</td>
<td>292,355</td>
<td>791,057</td>
<td>1,083,412</td>
<td>10.60 4.14</td>
</tr>
<tr>
<td>1990</td>
<td>289,230</td>
<td>784,299</td>
<td>1,073,529</td>
<td>10.71 4.18</td>
</tr>
<tr>
<td>1991</td>
<td>300,355</td>
<td>781,582</td>
<td>1,081,937</td>
<td>10.32 4.18</td>
</tr>
<tr>
<td>1992</td>
<td>264,605</td>
<td>764,133</td>
<td>1,028,738</td>
<td>11.71 4.32</td>
</tr>
<tr>
<td>1993</td>
<td>255,355</td>
<td>752,188</td>
<td>1,007,543</td>
<td>12.13 4.40</td>
</tr>
<tr>
<td>1994</td>
<td>335,730</td>
<td>589,530</td>
<td>925,260</td>
<td>9.23 5.48</td>
</tr>
<tr>
<td>1995</td>
<td>343,718</td>
<td>597,256</td>
<td>940,974</td>
<td>9.01 5.39</td>
</tr>
<tr>
<td>1996</td>
<td></td>
<td>607,221</td>
<td>607,221</td>
<td>5.87</td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td>591,514</td>
<td>591,514</td>
<td>6.03</td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td>507,996</td>
<td>507,996</td>
<td>7.02</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td>500,037</td>
<td>500,037</td>
<td>7.13</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td>514,983</td>
<td>514,983</td>
<td>6.92</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td>469,058</td>
<td>469,058</td>
<td>7.60</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>455,960</td>
<td>455,960</td>
<td>7.82</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>462,794</td>
<td>462,794</td>
<td>7.70</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>452,810</td>
<td>452,810</td>
<td>7.87</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>433,182</td>
<td>433,182</td>
<td>8.23</td>
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<td>2006</td>
<td></td>
<td>423,600</td>
<td>423,600</td>
<td>8.42</td>
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<td>2007</td>
<td></td>
<td>414,259</td>
<td>414,259</td>
<td>8.61</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>404,584</td>
<td>404,584</td>
<td>8.81</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>394,427</td>
<td>394,427</td>
<td>9.04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,431,058</strong></td>
<td><strong>$13,182,576</strong></td>
<td><strong>$15,613,634</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Estimated coverage ratios on First Resolution Bonds are based upon New York State Sales and Stock Transfer Tax Revenues, reduced by Operating Expenses of $10.7 million, divided by Debt Service on First Resolution Bonds. Estimated coverage ratios on Second Resolution Bonds are based upon all revenues, reduced by Debt Service on First Resolution Bonds and Operating Expenses, divided by Debt Service on Second Resolution Bonds. All revenues include $3,109.1 million combined New York State Sales and Stock Transfer Tax and $467 million in Per Capita Aid.

† Excludes refunded bonds and gives effect to the issuance of $877,450,000 of Series 57 Bonds on April 23, 1986.
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 Series 58 Bonds (the "Series 58 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 Series 58 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 amended and supplemented to the date hereof (the "Second General Bond Resolution") and the Series 58 Resolution, adopted May 1, 1986 (the "Series Resolution"). The Second General Bond Resolution and the Series Resolution are herein collectively called the "Resolutions".

The Series 58 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 and certain agreements of the Corporation 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 Series 58 Bonds are being issued for purposes set forth in the Series Resolution.

The Corporation is authorized to issue Bonds, in addition to the Series 58 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the Series 58 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 Series 58 Bonds are dated May 1, 1986 except as otherwise provided in the Resolutions with respect to Series 58 Bonds delivered on or after the first interest payment date, will mature on July 1 in each of the
years and will bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 1987 at the respective rates per annum shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
<th>Year</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
</tr>
</thead>
</table>

The Series 58 Bonds are issued only in fully registered form in the denomination of $5,000 or an integral multiple thereof. Series 58 Bonds are lettered and numbered 58R- followed by the last two digits of the year of maturity and the number of the Series 58 Bond. Series 58 Bonds are numbered consecutively from one upward in order of issuance.

The Series 58 Bonds maturing on July 1, 2008 are subject to redemption, commencing on July 1, and on each July 1 thereafter prior to maturity, 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 in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each Series 58 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the Series 58 Bonds are subject to redemption at the election of the Corporation on and after July 1, 1996, 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 1974 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 Series 58 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"), and 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 Series 58 Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 58 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 Series 58 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 Series 58 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 Series 58 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 as aforesaid, 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 the 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 Series 58 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 Series 58 Bonds be payable out of any funds other than those of the Corporation.

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

(a) to provide for the appropriation of, and 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 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

(c) 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 Code 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. Interest on the Series 58 Bonds is exempt from (i) Federal income taxes under the existing statutes, and (ii) personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 58 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for estate or gift taxes and taxes on transfers.

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 Series 58 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the Series 58 Bonds, and the execution and delivery of the Series 58 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 Series 58 Bond numbered 58R-08-1 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
New York, New York

Dear Sirs:

We have delivered on this date our approving legal opinion relating to the issuance of $ aggregate principal amount of Series 58 Bonds (the “Series 58 Bonds”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”). We wish to advise you that on December 17, 1985, the United States House of Representatives passed the Tax Reform Act of 1985 (“H.R. 3838”) which contains provisions that would, if enacted into law, impose additional requirements as a condition to the exemption from Federal income taxation of interest on state and local governmental obligations issued after December 31, 1985, and which adds as a preference item to be included in calculating alternative minimum taxable income, interest on certain tax exempt obligations issued after December 31, 1985. These proposed legislative changes are referred to below as the “Proposed Changes”.

On March 14, 1986, a joint statement was made by Dan Rostenkowski, Chairman of the House Committee on Ways and Means, Bob Packwood, Chairman of the Senate Committee on Finance, John J. Duncan, Ranking Member of the House Committee on Ways and Means, Russell Long, Ranking Member of the Senate Committee on Finance, and Secretary of the Treasury, James A. Baker, III (the “Joint Statement”). The Joint Statement endorses the postponement, until the earlier of September 1, 1986 or the date of enactment of tax reform legislation, of the effective date of all the Proposed Changes that could have a material adverse impact on the issuance of “governmental bonds”, other than certain limitations with which the Corporation can and will comply regarding temporary periods and the calculation of yield. As used herein the term “governmental bonds” refers to obligations issued by state and local governmental units for public and governmental purposes, and specifically excludes industrial development bonds; obligations that would be industrial development bonds if organizations described in Section 501(c)(3) of the Code were non-exempt persons engaged in trades or business; student loan bonds; mortgage subsidy bonds; private or consumer loan bonds; pension bonds; or certain bonds which involve payments by private persons in connection with the use of the bond-financed property.

In our opinion, the Series 58 Bonds are within the scope of the Joint Statement and, accordingly, if H.R. 3838 were to be enacted in its present form, with effective date provisions conforming to the description of such provisions contained in the Joint Statement, interest on the Series 58 Bonds would be exempt from Federal income taxation.

In addition, H.R. 3838 provides that for taxable years beginning in 1988, property and casualty insurance companies may be subject to an alternate method of taxation that is to include, among other items, interest on obligations such as the Series 58 Bonds in the relevant income computation. The Joint Statement does not purport to modify, or to extend the effective date with respect to, this provision.
There can be no assurance that the Joint Statement will not be amended or revised, or that H.R. 3838 will not be amended prior to enactment or that additional legislation will not be introduced and enacted after the issuance of the Series 58 Bonds, so as to cause interest on the Series 58 Bonds to be subject to Federal income taxation or to place additional requirements as a condition to such exemption.

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

May, 1986

Dear Sirs:

The Corporation now has outstanding an aggregate principal amount of $29,780,000 Series 28 Bonds issued pursuant to the Second General Bond Resolution of the Corporation adopted on November 25, 1975, as amended and supplemented to the date hereof (the “Second General Bond Resolution”) and a Series Resolution adopted on January 21, 1981 and $119,075,000 Series 29 Bonds and $85,390,000 Series 30 Bonds issued pursuant to the Second General Bond Resolution and Series Resolutions adopted on June 2, 1981 (collectively, the “Refunded Bonds”). In accordance with the provisions of Section 203 and Article XIV of the Second General Bond Resolutionrespectively, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York (the “Trustee”, as such term is defined in the Second General Bond Resolution), the principal of and interest on which, when due, will provide monies sufficient to pay, when due, the principal or redemption price of and interest until the maturity or earlier redemption date of the Refunded Bonds.

The Corporation has directed the Trustee to redeem through sinking fund installments, by lot, at a redemption price of 100% of the principal amount of each Refunded Bond so redeemed, on July 1 of each of the following years, the following aggregate principal amounts of Refunded Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Series 28 Bonds</th>
<th>Series 29 Bonds</th>
<th>Series 30 Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$935,000</td>
<td>$6,675,000</td>
<td>$4,785,000</td>
</tr>
<tr>
<td>1987</td>
<td>955,000</td>
<td>6,855,000</td>
<td>4,915,000</td>
</tr>
<tr>
<td>1988</td>
<td>970,000</td>
<td>7,035,000</td>
<td>5,045,000</td>
</tr>
<tr>
<td>1989</td>
<td>990,000</td>
<td>7,215,000</td>
<td>5,175,000</td>
</tr>
<tr>
<td>1990</td>
<td>1,010,000</td>
<td>7,395,000</td>
<td>5,305,000</td>
</tr>
<tr>
<td>1991</td>
<td>1,030,000</td>
<td>7,580,000</td>
<td>5,435,000</td>
</tr>
</tbody>
</table>

The Corporation has also directed the Trustee to redeem on July 1, 1991 at a redemption price of 102% the balance of the $23,890,000 principal amount of the Series 28 Bonds, $76,320,000 principal amount of Series 29 Bonds and $54,730,000 principal amount of the Series 30 Bonds.

Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the Refunded Bonds in accordance with the provisions of such Section 203 and Article XIV of the Second General Bond Resolution.

Very truly yours,
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK  
Series 58 Bonds  
BOND PURCHASE AGREEMENT  
May 8, 1986  

SALOMON BROTHERS INC  
GOLDMAN, SACHS & CO.  
MERRILL LYNCH CAPITAL MARKETS  
CITICORP INVESTMENT BANK  
CITIBANK, N.A.  
MANUFACTURERS HANOVER TRUST COMPANY  
MORGAN GUARANTY TRUST COMPANY OF NEW YORK  
BEAR, STEARNS & CO. INC.  
L. F. ROYAL INSTITUTE  
SHEARSON LEHMAN BROTHERS INC.  
As Representatives of the Underwriters  
c/o Salomon Brothers Inc  
One New York Plaza  
New York, New York 10004  

Gentlemen:  

Subject to the terms and conditions herein, the undersigned Municipal Assistance Corporation For The City of New York (the “Corporation”) hereby confirms its agreement with you and the other Underwriters named in Schedule I hereto (the “Underwriters”), for whom you are acting as Representatives (the “Representatives”), with respect to the purchase by the Underwriters, jointly and severally, from the Corporation, and the sale by the Underwriters, of $290,075,000 aggregate principal amount of the Corporation’s Series 58 Bonds (the “Bonds”), maturing and bearing interest as set forth on the cover of the final Official Statement (as hereinafter defined), which the Underwriters herein agree to purchase and which are to be issued pursuant to the Second General Bond Resolution and the Series 58 Resolution, adopted by the Board of Directors of the Corporation on November 25, 1975 and May 8, 1986, respectively (collectively, the “Resolution”). You need not advise us of any change in the list of the other Underwriters named in Schedule I hereto.  

Pursuant to certain provisions of the Resolution (the “Trust Provisions”), some or all of the proceeds of the sale of the Bonds will be used to refund the Corporation’s Series 28, Series 29 and Series 30 Bonds (the “Refunded Bonds”) currently outstanding in the aggregate principal amount of $234,245,000.  

Attached hereto is a copy of the final Official Statement of the Corporation including the cover page and exhibits thereto, dated May 8, 1986, relating to the Bonds (the “final Official Statement”).  

SECTION 1. Representations and Agreements of the Corporation.  

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

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

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

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

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

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

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

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

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

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

(j) Except for liens created by the Resolution and by the Corporation’s General Bond Resolution dated July 2, 1975 (the “First General Bond Resolution”) by or in connection with the bonds and notes heretofore issued by the Corporation, there is no lien on the revenues or property of the Corporation as of the date of this Agreement and as of the Closing Time there will be no liens on the revenues or property of the Corporation except for such liens.

(k) The Corporation has complied with all of the covenants contained in, and no event of default exists pursuant to, the Bonds, the Resolution, the First General Bond Resolution or any bonds issued thereunder.

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

(m) The financial statements of the Corporation contained in the final Official Statement (i) fairly present the financial position and results of operations of the Corporation as of the dates and for the periods therein set forth and (ii) were prepared in accordance with generally accepted accounting principles. Since June 30, 1985, the date of the audited financial statements, there has been no material adverse change in the financial position of the Corporation or transactions in the Bond Service Fund, Debt Service Fund, either of the Capital Reserve Funds and Operating Fund established under the Resolution and the First General Bond Resolution, except as referred to in the final Official Statement.

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

(o) To the best of the knowledge of the Corporation, no independent investigation having been made, the Agreements (as defined in the final Official Statement) are in full force and effect and no default exists thereunder. The Agreements to which the Corporation is a party constitute legal, valid and binding agreements enforceable against the Corporation in accordance with their respective terms, except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of the parties to such Agreements.

SECTION 2. Purchase, Sale and Delivery of the Bonds.

On the basis of the representations and agreements herein contained, and subject to the terms and conditions herein set forth, at the Closing Time the Corporation agrees to sell to the Underwriters, and the Underwriters, jointly and severally, agree to purchase from the Corporation, the Bonds for an aggregate purchase price of $282,137,657.35, plus accrued interest on the Bonds from May 1, 1986 to the date of payment and delivery. The Bonds shall be issued under and secured by the Resolution, to the extent therein provided. The Bonds shall mature and bear the interest rates and be subject to redemption as set forth in the final Official Statement. Payment for the Bonds shall be
made by certified or official bank check or checks, in immediately available funds, payable to the order of the Corporation, at the Closing Time, at the offices of the Corporation, One World Trade Center, Suite 8901, New York, New York. The Closing Time shall be 9:00 a.m., New York time, on May 29, 1986, or such other time and place as may be provided in accordance with the provisions of Section 9 hereof or as may otherwise be agreed to by the Representatives and the Corporation. The Bonds shall be delivered in definitive form, registered as to principal and interest in the denomination of $5,000 each or any integral multiple of $5,000, and shall be available for examination and packaging by the Underwriters not less than 24 hours prior to the Closing Time. The Underwriters agree to make a bona fide offering of the Bonds to the public at prices no greater than those indicated on the cover page of the final Official Statement.

SECTION 3. Conditions of the Underwriters’ Obligations.

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

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

(1) Opinions, dated the Closing Time, with sufficient copies for each Underwriter, of (i) Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, in the form attached hereto as Exhibit A and (ii) Hawkins, Delafield & Wood, Bond Counsel, in the form attached hereto as Exhibit B and in the forms attached to the Official Statement as Exhibits B, C and D and further as to the enforceability of the 1978 State Covenant (as defined in the final Official Statement), in each case with such changes, and with such annexed opinions of other counsel referred to therein, if any, as counsel for the Underwriters shall reasonably approve.

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

(3) A certificate, reasonably satisfactory in form to you, as Representatives, of an appropriate officer of the Corporation reasonably satisfactory to you, dated the Closing Time, to the effect that (i) each of the representations of the Corporation set forth in Section 1 hereof is true, accurate and complete in all material respects as though made with respect to and as of the Closing Time (with regard to the final Official Statement, such certification shall be based on the final Official Statement, as the same has been theretofore supplemented or amended as of the Closing Time); (ii) each of the agreements of the Corporation set forth in Section 1 hereof to be complied with at or prior to the Closing Time has been complied with as of such time; and (iii) the Bonds and the Resolution conform in all material respects to the descriptions thereof in the final Official Statement.
(4) A certificate, reasonably satisfactory in form to you, as Representatives, of the Director of the Budget of the State of New York, dated the Closing Time, to the effect that the information concerning the State of New York in the final Official Statement, as the same has been theretofore supplemented or amended as of the Closing Time, under the caption "Certain Developments Affecting the State" is true in all material respects and does not omit any statement of a material fact necessary to make such information therein contained, in light of the circumstances under which such information is furnished, not misleading and to the effect that the numerical information concerning the amount of Per Capita Aid in the final Official Statement, as the same has been theretofore supplemented or amended as of the Closing Time, under the caption "Payment of the Bonds—Per Capita Aid" is true.

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

(6) Certificates, reasonably satisfactory in form to you, as Representatives, dated the Closing Time, of the Mayor and the Comptroller of the City, or an appropriate deputy, to the effect that certain specified information contained in the final Official Statement, as the same has been theretofore supplemented or amended as of the Closing Time, under the caption "Certain Developments Affecting the City" is true in all material respects or is a fair presentation of the information set forth therein.

(7) A certificate, dated the Closing Time, of the United States Trust Company of New York, trustee under the Second General Bond Resolution (the "Trustee"), stating that it holds in trust, pursuant to the Trust Provisions, direct obligations of the United States of America, the principal of and interest on which, when due, will provide moneys to pay the relevant sinking fund installments with respect to, or redemption price of and interest due on, the Refunded Bonds until their respective redemption dates and that the Refunded Bonds are deemed to have been paid in accordance with Article XIV of the Second General Bond Resolution.

(8) Irrevocable instructions satisfactory to the Trustee shall have been delivered pursuant to the Second General Bond Resolution to give effect to the Trust Provisions.

(9) A certificate, reasonably satisfactory in form to you, as Representatives, of an appropriate officer of the Corporation reasonably satisfactory to you, dated the Closing Time, setting forth sufficient facts, estimates and circumstances to support the conclusion, stated in the certificate, that on the date of issue it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds within the meaning of Section 108(c) of the Internal Revenue Code of 1954, as amended, and stating that to the best of the knowledge and belief of the certifying officer there are no other facts, estimates or circumstances that would materially change such expectation.

(10) An opinion, dated the Closing Time and addressed to the Corporation, of Hawkins, Delafield & Wood, to the effect that, based upon their examination of law and review of the certification by the Corporation provided for in (9) 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 108(c) of the Internal Revenue Code of 1954, as amended, and Sections 1.108-13, 1.108-14 and 1.108-15 of the regulations promulgated thereunder, 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.

(11) Evidence that Moody's Investors Service, Inc. has issued a rating for the Bonds that is no lower than A and that Standard & Poor's Corporation has issued a rating for the Bonds that is no lower than A.
(12) Such additional certificates, instruments and other documents as you, as
Representatives, may reasonably request, to evidence the truth and accuracy, as of the
Closing Time, of the representations of the Corporation herein contained and of the final
Official Statement (as the same has been theretofore amended or supplemented), and the
due performance and satisfaction by the Corporation at or prior to such time of all
agreements to be performed and all conditions then to be satisfied by it in connection with
the transactions contemplated hereby or by the final Official Statement (as the same has
been theretofore amended or supplemented).

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

(1) legislation shall have been enacted by the Congress, or recommended to the
Congress for passage by the President of the United States, or introduced and favorably
reported for passage to either House of the Congress by any Committee of such House to
which such legislation has been referred for consideration, or legislation shall have been
proposed, or a press release or other official public announcement describing proposed
legislation or proposing legislation shall have been issued, in any case by the President of
the United States, the Treasury Department of the United States, the Internal Revenue
Service or the Chairman, any member or the staff of the House Committee on Ways and
Means or the Senate Committee on Finance, or

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

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

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

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

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

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

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

(f) Underwriters which are member banks of the Federal Reserve System shall be
authorized under applicable law to underwrite the Bonds. Underwriters which are subject to
regulation by the New York State Department of Banking shall be authorized under applicable
law to underwrite the Bonds.
(g) There shall not have been a default on or after the date hereof upon the general
obligations of the State of New York or any instrumentality, agency or political subdivision
thereof.

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


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

(a) the performance by the Underwriters of their obligations hereunder;
(b) the satisfaction of the conditions set forth above in (a) (4), (a) (5), (a) (6), (a) (7), (c),
(d), (f), (g) and (h) of Section 3 hereof; and

(c) the receipt by the Underwriters at the Closing Time of the opinions described in (a) (1),
(a) (2) and (a) (10) of Section 3 hereof.

SECTION 5. Deposit.

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

SECTION 6. Representations and Agreements to Survive Delivery.

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

SECTION 7. Payment of Expenses.

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

SECTION 8. Use of Preliminary and Final Official Statement.

The Corporation hereby confirms the authority, and authorizes the Underwriters, to use and make available to prospective and ultimate purchasers of the Bonds the preliminary Official Statement dated May 5, 1986, and authorizes the use of the final Official Statement by the Underwriters in connection with the sale of the Bonds. Each Underwriter agrees, in connection with the sale of Bonds by such Underwriter, that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by delivery of a copy of the final Official Statement.


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

SECTION 10. Indemnification.

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

SECTION 11. Parties in Interest.

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

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

SECTION 12. Notice.

All communications hereunder shall be in writing and, if sent to the Corporation, shall be mailed, delivered or telegraphed and confirmed to it at One World Trade Center, Suite 8901, New York, New York 10048, with a copy to Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, New York, New York 10154; and, if sent to the Underwriters, shall be mailed, delivered or telegraphed and confirmed to the Representatives at the address set forth above.

SECTION 13. Representation.

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


This Agreement shall be governed by the laws of the State of New York and may not be assigned by the Corporation or the Underwriters.
If the foregoing is in accordance with the Underwriters' understanding of the agreement among
the Corporation and the Underwriters, kindly sign and return to the Corporation the enclosed
duplicates hereof, whereupon it will constitute a binding agreement among the Corporation and the
Underwriters in accordance with its terms.

Yours very truly,

MUNICIPAL ASSISTANCE CORPORATION FOR THE
CITY OF NEW YORK

[seal]

By ________ STEPHEN J. WEINSTEIN
Executive Director

By ________ MAXINE H. GILLMAN
Secretary

Accepted and confirmed as of the date first
above written:

SALOMON BROTHERS INC
GOLDMAN, SACHS & CO.
MERRILL LYNCH CAPITAL MARKETS
CITICORP INVESTMENT BANK
CITIBANK, N. A.
MANUFACTURERS HANOVER TRUST COMPANY
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
BEAR, STEARNS & CO. INC.
L. F. ROTHSCHILD, UNTERBERG, TOWBIN, INC.
SHEARSON LEHMAN BROTHERS INC.

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

By SALOMON BROTHERS INC

By ________ GEDALE B. HOROWITZ
Managing Director

10
SCHEDULE I

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

UNDERWRITERS

Salomon Brothers Inc
Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Citicorp Investment Bank
Citibank, N.A.
 Manufacturers Hanover Trust Co.
Morgan Guaranty Trust Company of New York
Bear, Stearns & Co. Inc.
L. F. Rothschild, Unterberg, Towbin, Inc.
Shearson Lehman Brothers Inc.

Representatives

Adams, McEntee & Co., Inc.
Allen & Company, Incorporated
Bank of Boston/The First National Bank of Boston
Bank of America, N.T. & S.A.
Bankers Trust Company
Alex. Brown & Sons, Inc.
Chase Manhattan Capital Markets Corp.
Chemical Bank
The Continental Illinois National Bank & Trust Company
Dillon, Read & Co., Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Ehrlich-Bober & Co., Inc.
The First Boston Corporation
First Chicago/The First National Bank of Chicago
First Interstate Bank of California
Glickenhaus & Co.
Harris Trust and Savings Bank
E.F. Hutton & Company Inc.
Irving Trust Company
Kidder, Peabody & Co., Incorporated
Lebenthal & Co., Inc.
Marine Midland Bank, N.A.
Morgan Stanley & Co., Incorporated
Moseley Securities Corporation
The Northern Trust Company
Norwest Investment Services
Oppenheimer & Co., Inc.
PaineWebber, Incorporated
Prudential-Bache Securities, Inc.
Refco Partners
Rothschild Inc.
Smith Barney, Harris Upham & Co. Incorporated
Thomson, McKinnon Securities Inc.
VanKampen, Merritt Inc.
Wertheim & Co., Inc.
Dean Witter Reynolds, Inc.

Advest Inc.
American Securities Corp.
Bank of New York
Barr Brothers & Co., Inc.
J.C. Bradford & Co.
Langdon P. Cook & Co. Inc.
CoreStates Capital Markets Group (A Division of Hamilton Bank and The Philadelphia National Bank)
Daniels and Bell, Inc.
European American Bank
Evans & Co. Incorporated
Fahnestock & Company
First Tennessee Bank, N.A.
Matthews & Wright, Inc.
McDonald & Company Securities Inc.
Mellon Bank, N.A.
National Westminster Bank USA
NCNB National Bank of North Carolina
Wm. E. Pollock & Co., Inc.
Prescott, Ball & Turben, Inc.
Samuel A. Ramirez & Company, Inc.
Roosevelt & Cross, Inc.
Rotan, Mosle Inc.
Herbert J. Sims & Co., Inc.
Southeast Bank, N.A.
State Street Bank and Trust Company
Stephens, Inc.
Swiss American Securities, Inc.
UMIC Inc.
Underwood, Neuhaus & Co., Incorporated
Young, Smith & Peacock, Inc.

Adams, Harkness, Hill, Inc.
Baker, Watts & Co.
Banco Popular de Puerto Rico
Butcher & Singer Inc.

11
Craige Inc.
Doff. & Co., Inc.
A. Webster Dougherty & Co., Incorporated
Douglas & Co., Municipalis, Inc.
A.G. Edwards & Sons, Inc.
First Fidelity Bank, N.A., New Jersey
First Harlem Securities (A WR Lazard Company)
First of Michigan Corporation
Gruntal & Co., Incorporated
Halpert, Oberst and Company
Chester Harris & Co., Inc.
Frank Henjes & Company Inc.
William R. Hough & Co.
Howard, Weil, Labouisse, Friedichs Incorporated
Josephthal & Co. Incorporated
Ladenburg, Thalmann & Co., Inc.
Laidlaw Adams & Peck Inc.
Moore & Schley Municipalis Inc.
Phillips, Appel & Walden, Inc.
Piper, Jaffray & Hopwood Incorporated
Rauscher Pierce Refsnes, Inc.
Ryan, Buoy & Co.
Sterling Grace Municipal Securities Corporation
Michael A. Weisser, Inc.
Wheat, First Securities, Inc.

Asiel & Company
Baird, Patrick & Co., Inc.
George K. Baum & Co.
Burr, Wilson & Company, Inc.
Blunt Ellis & Loewi Incorporated
Boening & Scattergood, Inc.
Brilin & Woram
Buech, Cannon & Co., Inc.
Cain Brothers Shattuck & Company
Carolau & Company, Inc.
Chase Lincoln First Bank, N.A.
The Cherokee Securities Company
Citizens & Southern National Bank
The Connecticut Bank & Trust Company
Connecticut National Bank
Connors & Co., Inc.
Coogan, Gilbert & Co.
R.W. Corby & Company, Incorporated
Cowen & Company
Cronin & Co., Inc.
Discount Corporation of New York
Doley Securities Incorporated
Dolphin & Bradbury
Dominick & Dominick Incorporated
Dougherty, Dawkins, Strand & Yest Incorporated
James J. Duane & Co.
Emanuel Municipal Securities Ltd.
Ernst & Co.
Faherty, Aliaga and Co., Inc.
Perris & Company, Inc.
First Albany Corporation
First Atlanta/The First National Bank of Atlanta
First Equity Corporation of Florida
First Interregional Equity Corp.
First Miami Securities, Inc.
First Southwest Company
First Union National Bank of North Carolina
First Wisconsin National Bank of Milwaukee
Fleet National Bank

Gabriele, Hueglin & Cashman, Inc.
Gibraltar Securities Co.
Arthur Gould Incorporated
J.B. Hannover & Co.
Hefren-Tillotson Inc.
Herzog, Heine, Geduld, Inc.
Howe, Barnes & Johnson, Inc.
Hutchinson, Seckey, Eerley & Co.
Illinois Company, Inc.
Interstate Securities Corporation
Janney Montgomery & Scott Inc.
Jefereies & Company Inc.
Johnston, Lemon & Co., Inc.
Kirchner, Moore & Company
Kormendi, Byrd Brothers, Inc.
The Leedy Corporation
Legg Mason Wood Walker, Inc.
M.G. Lewis & Company, Inc.
Mabon, Nugent & Co.
Marcus, Stowell & Beye, Inc.
Marshall & Meyer, Inc.
MCG Portfolio Management Corp.
McLaughlin, Piven, Vogel Inc.
McLney & Company
Mesiloro & Company Incorporated
Metro Equities Corporation
Mid-State Securities Corporation
P.A. Moos & Co. Incorporated
Morgan, Olmstead, Kennedy & Gardner, Inc.
 Municipal Investors Service, Inc.
National Bank of Commerce
Leo Oppenheim & Co., Inc.
Outwater & Wells, Inc.
J.A. Overton & Co.
Charles G. Peeler & Co.
R.W. Peters, Rickel & Co., Inc.
D.A. Pincus & Co., Inc.
Printon, Kane & Co.
Purcell, Graham & Co., Inc.
Quick & Reilly, Inc.
T.J. Raney & Sons, Inc.
Raymond, James & Associates, Inc.
Reich & Co., Inc.
Arch W. Roberts & Co.
Rodman & Renshaw, Inc.
Rogers & Lamb
Roney & Company
Russell, Rea & Zappalla, Inc.
Schaffer, Neckor & Company
Scharff & Jones, Inc.
Shatkin-Lee Securities Co.
M.L. Stern & Co., Inc.
Stone & Youngberg
Stuart James Co., Inc.
Taylor Byrne Securities, Inc.
Tollmer & Bean, Inc.
Tripp & Co., Inc.
Union Planters National Bank of Memphis
United Jersey Bank
R.D. White & Company
A.H. Williams & Co. Incorporated
Warren W. York & Co., Inc.
Zahn & Company
Ziegler Securities (Division of B.C. Ziegler and Company)
A.W. Zucker & Co.
EXHIBIT A

to

Bond Purchase Agreement

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

345 PARK AVENUE

NEW YORK, NEW YORK 10016

TELEPHONE: (212) 644-6000

TELEFAX: (212) 644-6200

RAPP: (212) 395-0118

TELEX 57863 WU 666-643

RANODPH E. PAUL 1966-1965

LOUIS B. WEISS 1942-1950

JHN F. WHARTON 1927-1977

ADRIAN W. DAVIN

LLOYD G. S바NOR

JAMES R. LEWIS

HORDEA R. RICHMAN

HOWARD A. SEITZ

SAMUEL J. SILVERMAN

JOHN C. TAYLOR 3rd

COUSEL

DOMINIQUE FARGUE

SAMUEL MYERS

EUROPEAN COUSEL

WRITER'S DIRECTLIAL NUBER

1615 L STREET, N W.
WASHINGTON, D C 20036

TELEPHONE: (202) 223-3752

TELEFAX: (202) 223-7002

190, BOULEVARD SAINT GÉRAUD
75007 PARIS, FRANCE

TELEPHONE: (33-1) 44.49.33.65

TELEFAX: (33-1) 44.22.64.39

2008 TWO EXCHANGE SQUARE
2 CONNAUGHT PLACE CENTRAL
HONG KONG

TELEPHONE: (852) 32200241

TELEFAX: (852) 322-4209

TELEX: HX 82089

MORRIS S. ABRAM

HEALE H. ALBERT

MARK H. ALCOTT

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MARK J. BERNICK

ALLAN H. BLOCHSTEIN

ROBERT S. BROWDOFF

JOHN F. BRIGLIO

DAVID L. CHARKA

RICHARD J. CRONSTEDT

ROBERT A. DARLING

CAMERON CLARK

JEROME A. COHEN

EDWARD N. COSTRANTI

JAMES W. DUBIN

RICHARD A. ENGELMAN

LESLIE GORDON FAGEN

JOHN J. FELDSTEIN

GEORGE F. FELLERMAN

BERNARD FINKELSTEIN

MITCHELL F. FINNAM

ROBERT C. FLEIDER

MARTIN FLUMENBAUM

MAX GITTER

RICARDO T. GOLDSTEIN

BERNARD H. GREENE

JAY GREENFIELD

PETE R. GULF

A. HAROLD HIRSCH

SEYMOUR HIRSCH

JOSEPH F. MANIS

ARThUR KALISH

LAWREN RAPLAN

ANTHONY B. KUKLIN

JEROME KURTZ

STEVEN E. LANDERS

ROBERT L. LAVOTER

WALTER F. LEINHARDT

ARTHUR L. LIMAN

MARTIN LONDON

RAYLEIGH MANNING

HANS MEZEBRE

JOHN P MCHOOD

COLLEEN MAHON

ROBERT E. MONTGOMERY, JR

ROBERT W. MONTGOMERY, JR

JOHN A. MUSYER

PAUL J. NEWTON

MATTHEW NIEMCEZ

KEVIN J. DIBELIN

LONELY R. OLIVER

JOHN J. ONEIL

STUART J. ORAN

MARCE B. PERLMUTT

JAMES A. PERRCEW

LEONARD W. SCHLEGEL

SAMUEL F. SABLE

STUART ROBINOWITZ

SYMON R. ROEBUCKER

STEVEN B. RUBENSTEIN

PETER J. ROTHENBERG

ERNST W. ROSENFELD

ERNEST S. ROSENFELD

HERBERT ROSENFELD

LEONARD S. ROSENTHAL

ALAN R. ROSENTHAL

EDWARD S. ROSENTHAL

GALVIN D. STEIN

ALLAN L. THOMAS

JUDITH B. THOYER

JAY TOOMIN

ROBERT R. TRIAS

DAVID WASHBURN

ALFRED D. YOUNGWOOD

HORMAN ZELIKO

*MEMBER CONNECTICUT & DISTRICT OF COLUMBIA BARS ONLY

**MEMBER JURISDICTION IN FRANCE ONLY

May 1986

SALOMON BROTHERS INC

GOLDMAN, SACHS & CO.

MERRILL LYNCH CAPITAL MARKETS

CITICORP INVESTMENT BANK

CITIBANK, N.A.

MANUFACTURERS HANOVER TRUST COMPANY

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

BEAR, STEARNS & CO. INC.

L. F. ROTHSCILD, UNTERBERG, TOWBIN, INC.

SHEARSON LEHMAN BROTHERS INC.

As Representatives of the Underwriters

c/o Salomon Brothers Inc

One New York Plaza

New York, New York 10004

Dear Sirs:

We have been requested by our client, Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation (the "Corporation"), to furnish you our opinion as to the matters herein set forth in connection with the execution of a bond purchase agreement, dated May 8, 1986 (the "Agreement"), by and among the Corporation and each of you as purchasers, and the sale by the Corporation to you thereunder of $290,075,000 aggregate principal amount of the Corporation's Series 88 Bonds (the "Bonds").

In this connection, we have examined the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, each as further amended (the "Act"),
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, to adopt the Resolutions and to issue the Bonds thereunder.

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

3. The execution and delivery of, and the performance of the obligations under the Agreement and the issuance of the Bonds have been duly authorized by proper corporate proceedings of the Corporation. The Agreement constitutes the legal, valid and binding agreement of the Corporation enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, moratorium 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 binding upon the Corporation and enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of the holders of the Bonds, and no other authorization for, or filing or recording of, the Resolutions is required. Anything in this opinion to the contrary notwithstanding, we express no opinion with respect to the 1978 State Covenant as that term is defined in the final Official Statement.

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

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

6. Except as set forth in the final Official Statement, to the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public board or body pending or threatened against the Corporation wherein an unfavorable decision, ruling or finding would in any material respect adversely affect the transactions contemplated by the Agreement or which in any way would adversely affect provisions for the payment of principal or interest on the Bonds or the validity of the Bonds, the Resolutions, the Agreement, or any agreement or instrument to which the Corporation is a party which is used or contemplated for use in connection with consummation of the transactions contemplated by the Agreement.
7. The offering and sale of the Bonds by the Corporation to you, and the resale of the Bonds by you as contemplated by the Agreement and the final Official Statement, are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) of such Act and there is no requirement for the qualification of the Resolutions or any indenture with respect to the Bonds pursuant to the Trust Indenture Act of 1939, as amended. The Bonds constitute "municipal securities" as such term is defined in the Securities Exchange Act of 1934, as amended.

8. In the course of the preparation by the Corporation of the final Official Statement, we participated in numerous conferences and conversations with certain of the Corporation's officials and also consulted on numerous occasions with representatives of certain of you. In this connection, with your concurrence, we did not undertake any independent examination or review of, or otherwise attempt to make any independent verification of, (i) any records or proceedings of, or any factual matters relating to or otherwise involving, the Corporation, the State of New York or any authority, agency or political subdivision thereof or therein, or (ii) any other factual matters contained in the final Official Statement. Accordingly, except with respect to the statements and summaries referred to in paragraph 9 hereof, we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the final Official Statement; it being understood that you are relying on the preparation of the final Official Statement by the Corporation, and certifications of various officials as to the accuracy, completeness and fairness of the statements contained therein. Further, we are not in a position to provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the final Official Statement. Subject to the foregoing limitations with respect to our engagement, no information was disclosed to us in connection with the preparation of the final Official Statement or in our conferences or conversations referred to above which has caused us to believe that the final Official Statement, as of the date thereof, and as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. The statements set forth in the final Official Statement under the headings "Debt Issuance Plan", "Certain Developments Affecting the City—Federal Bankruptcy Legislation", "Various Control Programs" and "Litigation" are in all material respects accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

All opinions rendered herein relating to the enforceability of the Corporation's obligations under the Resolutions, the Agreement or the Bonds are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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

Very truly yours,
EXHIBIT B

to

Bond Purchase Agreement

May 1986

Salomon Brothers Inc
Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Citicorp Investment Bank
Citicorp, N.A.
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
Bear, Stearns & Co. Inc.
L. F. Rothschild, Unterberg, Towbin, Inc.
Shearson Lehman Brothers Inc.

As representatives of the several Underwriters
named in Schedule I to the Bond Purchase
Agreement dated May 8, 1986 with the
Municipal Assistance Corporation For The City
of New York.

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

Gentlemen:

We are Bond Counsel to the Municipal Assistance Corporation For The City of New York (the
"Corporation") and are this day rendering our final approving opinion (the "Opinion") relating to the
authorization and issuance of the Corporation's Series 58 Bonds (the "Bonds"), dated May 1, 1986 and
authorized by the Second General Bond Resolution, adopted by the Corporation on November 25, 1975, as
Resolution and the Series 58 Resolution are hereinafter collectively referred to as the "Resolutions". The
Opinion is being rendered in connection with the delivery of the Bonds to Salomon Brothers Inc on behalf of
the Underwriters named in Schedule I to the Bond Purchase Agreement for the Bonds (the "Bond Purchase
Agreement") by and among you, as representatives of said Underwriters and the Corporation.

In connection with the rendering of the Opinion, we have reviewed records of the acts taken by
the Corporation in connection with the authorization, sale and issuance of the Bonds, including a record of
proceedings of the Corporation relating to the authorization, execution and delivery of the Bond Purchase
Agreement, were present at various meetings in connection therewith and have participated with others in
the preparation of various parts of the Official Statement dated May 8, 1986 with respect to the Bonds (the
"Official Statement").

In connection with the sale of the Bonds, at the request of the Corporation, we participated and assisted
as Bond Counsel in the preparation of the Official Statement and have reviewed the information and
representations contained therein. Rendering such assistance involved, among other things, discussions and
inquiries concerning various and related subjects, and reviews of and reports on certain documents and
proceedings. We also participated in conferences with officers, agents and employees of the Corporation,
Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel for the Corporation, you and your counsel,
White & Case, at which the contents of the Official Statement and related matters were discussed and revised.
The statements set forth in the Official Statement under the headings PAYMENT OF THE BONDS (other than the statistical and financial information under the headings "Per Capita Aid", "Sales Tax", "Quarterly Collections of Sales and Compensating Use Taxes in the City" and "Quarterly Collections of Stock Transfer Tax"), DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS (other than the statistical and financial information set forth therein), BONDS BEING OFFERED, AGREEMENT OF THE STATE OF NEW YORK and SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION are accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

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

We are further of the opinion that the Bond Purchase Agreement has been duly authorized, executed and delivered by, and constitutes a binding agreement of, the Corporation, enforceable in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally.

We are further of the opinion that the Series 58 Resolution has been duly and lawfully adopted by the Corporation and is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally.

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

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

Very truly yours,
CERTIFICATE OF THE COMMISSIONER
OF TAXATION AND FINANCE

I, Roderick G. W. Chu, Commissioner of Taxation and Finance of the State of New York, do HEREBY CERTIFY as follows:

I have reviewed the tabular data and footnotes set forth under the charts “Quarterly Collections of Sales and Compensating Use Taxes in the City” and “Quarterly Collections of Stock Transfer Tax” contained in the final Official Statement dated May 8, 1986 with respect to the Series 58 Bonds as the same has been heretofore supplemented or amended as of the date hereof (the “Official Statement”) of the Municipal Assistance Corporation For The City of New York under the sections captioned “Payment of the Bonds—Sales Tax” and “Payment of the Bonds—Stock Transfer Tax.” Such tabular data and footnotes are accurate in all material respects and there are no material omissions.

This Certification constitutes my sole opinion and conclusion, and I express no opinion nor give certification with respect to any other portion of the Official Statement.

IN WITNESS WHEREOF, I have hereunto set my hand this day of May, 1985.

Roderick G. W. Chu
After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Series 58 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 require, be and hereby is adopted.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

SECOND GENERAL BOND RESOLUTION

Adopted November 25, 1975
As Amended Through September 1, 1983
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 ...................... 6
SECTION 103. Resolution to Constitute Contract ................. 6

ARTICLE II
AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 201. Authorization of Bonds ............................... 6
SECTION 202. Provision for Issuance of Bonds .................. 7
SECTION 203. Provisions for Refunding Bonds ................... 11
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 ....................... 14
SECTION 305. Negotiability, Transfer and Registry ............... 15
SECTION 306. Transfer and Registration of Coupon Bonds ........ 15
SECTION 307. Transfer of Registered Bonds ....................... 16
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

* This Table of Contents was not part of the Resolution as adopted.
**ARTICLE IV**
REDemption OF BONDS

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

**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>23</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>24</td>
</tr>
<tr>
<td>605</td>
<td>Bond Service Fund</td>
<td>24</td>
</tr>
<tr>
<td>606</td>
<td>Capital Reserve Fund</td>
<td>25</td>
</tr>
<tr>
<td>607</td>
<td>Certificate to the State Comptroller and to the Mayor of the City of New York</td>
<td>26</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>27</td>
</tr>
<tr>
<td>702</td>
<td>Investment of Funds and Accounts Held by the Trustee</td>
<td>28</td>
</tr>
<tr>
<td>703</td>
<td>Liability of Trustee for Investments</td>
<td>30</td>
</tr>
</tbody>
</table>
ARTICLE VIII
THE TRUSTEE AND THE PAYING AGENTS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>801</td>
<td>Appointment and Acceptance of Duties of Trustee</td>
<td>30</td>
</tr>
<tr>
<td>802</td>
<td>Appointment and Acceptance of Duties of Paying Agents</td>
<td>31</td>
</tr>
<tr>
<td>803</td>
<td>Responsibilities of Trustee and Paying Agents</td>
<td>31</td>
</tr>
<tr>
<td>804</td>
<td>Evidence on Which Fiduciaries May Act</td>
<td>32</td>
</tr>
<tr>
<td>805</td>
<td>Compensation</td>
<td>32</td>
</tr>
<tr>
<td>806</td>
<td>Permitted Acts and Functions</td>
<td>33</td>
</tr>
<tr>
<td>807</td>
<td>Resignation of Trustee</td>
<td>33</td>
</tr>
<tr>
<td>808</td>
<td>Removal of Trustee</td>
<td>33</td>
</tr>
<tr>
<td>809</td>
<td>Appointment of Successor Trustee</td>
<td>33</td>
</tr>
<tr>
<td>810</td>
<td>Transfer of Rights and Property to Successor Trustee</td>
<td>34</td>
</tr>
<tr>
<td>811</td>
<td>Merger, Conversion or Consolidation</td>
<td>35</td>
</tr>
<tr>
<td>812</td>
<td>Resignation or Removal of the Paying Agents and Appointment of Successors</td>
<td>35</td>
</tr>
</tbody>
</table>

ARTICLE IX
COVENANTS OF THE CORPORATION

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>901</td>
<td>Payment of Bonds</td>
<td>36</td>
</tr>
<tr>
<td>902</td>
<td>Extension of Payment of Bonds and Coupons</td>
<td>36</td>
</tr>
<tr>
<td>903</td>
<td>Offices for Payment and Registration of Bonds and Coupons</td>
<td>36</td>
</tr>
<tr>
<td>904</td>
<td>Further Assurances</td>
<td>37</td>
</tr>
<tr>
<td>905</td>
<td>Power to Issue Bonds and Make Pledges</td>
<td>37</td>
</tr>
<tr>
<td>906</td>
<td>Agreement of the State</td>
<td>38</td>
</tr>
<tr>
<td>907</td>
<td>Creation of Liens</td>
<td>38</td>
</tr>
<tr>
<td>908</td>
<td>Accounts and Reports</td>
<td>38</td>
</tr>
<tr>
<td>909</td>
<td>General</td>
<td>38</td>
</tr>
</tbody>
</table>

ARTICLE X
SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1001</td>
<td>Modification and Amendment Without Consent</td>
<td>40</td>
</tr>
<tr>
<td>1002</td>
<td>Supplemental Resolutions Effective With Consent of Bondholders</td>
<td>41</td>
</tr>
<tr>
<td>1003</td>
<td>General Provisions Relating to Series Resolutions and Supplemental Resolutions</td>
<td>41</td>
</tr>
</tbody>
</table>
# ARTICLE XI
## AMENDMENTS OF RESOLUTIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1101</td>
<td>Powers of Amendment</td>
<td>42</td>
</tr>
<tr>
<td>1102</td>
<td>Consent of Bondholders</td>
<td>43</td>
</tr>
<tr>
<td>1103</td>
<td>Modifications by Unanimous Consent</td>
<td>45</td>
</tr>
<tr>
<td>1104</td>
<td>Mailing and Publication</td>
<td>45</td>
</tr>
<tr>
<td>1105</td>
<td>Exclusion of Bonds</td>
<td>45</td>
</tr>
<tr>
<td>1106</td>
<td>Notation on Bonds</td>
<td>46</td>
</tr>
</tbody>
</table>

# ARTICLE XII
## DEFAULTS AND REMEDIES

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1201</td>
<td>Trustee to Exercise Powers of Statutory Trustee.</td>
<td>46</td>
</tr>
<tr>
<td>1202</td>
<td>Events of Default</td>
<td>46</td>
</tr>
<tr>
<td>1203</td>
<td>Remedies</td>
<td>48</td>
</tr>
<tr>
<td>1204</td>
<td>Priority of Payments After Default</td>
<td>49</td>
</tr>
<tr>
<td>1205</td>
<td>Termination of Proceedings</td>
<td>50</td>
</tr>
<tr>
<td>1206</td>
<td>Bondholders' Direction of Proceedings</td>
<td>50</td>
</tr>
<tr>
<td>1207</td>
<td>Limitation on Rights of Bondholders</td>
<td>51</td>
</tr>
<tr>
<td>1208</td>
<td>Possession of Bonds by Trustee Not Required</td>
<td>52</td>
</tr>
<tr>
<td>1209</td>
<td>Remedies Not Exclusive</td>
<td>52</td>
</tr>
<tr>
<td>1210</td>
<td>No Waiver of Default</td>
<td>52</td>
</tr>
<tr>
<td>1211</td>
<td>Notice of Event of Default</td>
<td>53</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1301</td>
<td>Evidence of Signature of Bondholders and Own-</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>ership of Bonds</td>
<td></td>
</tr>
</tbody>
</table>

# ARTICLE XIV
## DEFEASANCE

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1401</td>
<td>Defeasance</td>
<td>54</td>
</tr>
</tbody>
</table>
ARTICLE XV

MISCELLANEOUS

SECTION 1501. Preservation and Inspection of Documents .......... 57
SECTION 1502. Parties of Interest .................................... 57
SECTION 1503. No Recourse Under Resolution or on Bonds .......... 57
SECTION 1504. Severability ............................................. 57
SECTION 1505. Headings .................................................. 58
SECTION 1506. Conflict .................................................... 58
SECTION 1507. Effective Date ............................................. 58
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 3086-a of the Act, including, as provided in Section 901 hereof, for such purposes any unpaid and matured amounts of principal and interest on the Bonds, or such larger amount as may hereafter be authorized pursuant to the Act as amended from time to time.

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

"City" shall mean The City of New York.

"Corporation" shall mean the Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Corporation.

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

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

"First General Bond Resolution" shall mean the General Bond Resolution adopted by the Corporation on July 2, 1975 as heretofore and hereafter supplemented in accordance with the terms thereof.
“Fiscal Year” shall mean any twelve (12) consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

“Governor” shall mean the Governor of the State.

“Mayor” shall mean the Mayor of the City.

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

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

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

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

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

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

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to this Resolution and the Series Resolution pursuant to which the same was issued.

“Refunding Bonds” shall mean all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Section 203.

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

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

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

“Serial Bonds” shall mean the bonds so designated in a Series Resolution.

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

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

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

“State” shall mean the State of New York.

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

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

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

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

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

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.
The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Resolution, refer to this Resolution.

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

103. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Holders from time to time of the Bonds and coupons; and the pledge made in the Resolution and the covenants and agreements 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.

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.

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 In-
stallments, 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 para-
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 compli-
ance 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 exchange 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 unma-
tured coupons attached, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any of the authorized denominations.

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

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

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

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

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

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

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

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

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

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

ARTICLE IV
REDEMPTION OF BONDS

401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to the provisions of a Series Resolution shall be redeemable, upon published notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms as may be specified in the Series Resolution authorizing such Series.

402. Redemption at the Election or Direction of the Corporation. In the case of any redemption of Bonds other than as provided in Section 403, the Corporation shall give written notice to the Trustee of its election or direction 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 Instal-
ment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Term Bonds of such Series and maturity. The Trustee shall so call such Term Bonds for redemption whether or not it then has monies in the Bond Service Fund sufficient to pay the 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 3636-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 3636-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 Corpo-
ration, including the Bonds, each quarterly payment (to be made on or before April 12, June 25, October 12 and January 12) by the State Comptroller to the Corporation in accordance with such certification, shall be an amount, after taking into account monies then in the Bond Service Fund and available for the purposes of such Fund during such Fiscal Year, not less than the sum of (A) 50% of the interest on all outstanding Bonds the interest on which is payable from the Bond Service Fund of the Corporation payable within six months after the end of the quarterly period for which such payment is made plus (B) 25% of the principal and premium, if any, on all Bonds and Sinking Fund Installments of the Corporation payable within one year after the end of the quarterly period for which such payment is made and of such amount, if any, as may be required to be paid into the Capital Reserve Fund during the Fiscal Year of which such quarterly period is a part. Notwithstanding the foregoing, the Corporation hereby covenants to make the certifications referred to in this Section at such times and in such amounts as shall be necessary to coincide with the State procedures for payment of Per Capita Aid or other sources of revenues and as shall be necessary to make the deposits required herein and to pay the principal of, Redemption Price, if any, and interest on the Bonds when due. If any increase shall occur in the cash requirements specified above, or if payments are required at a time or times earlier than previously certified or if the City shall for any reason fail to make timely payment of the principal and accrued interest due on any obligation issued by the City to the Corporation and maturing within the same Fiscal Year, the Chairman shall certify a revised schedule of cash requirements for such Fiscal Year to the State Comptroller and to the Mayor (with a copy to the Trustee). The schedule accompanying each certification (or revision thereof) shall provide for such payment dates as the Corporation deems appropriate to assure that sufficient funds will be available to meet the obligations of the Corporation as they become due. The Chairman shall exclude from consideration in making any such certification with respect to the funds required by the Corporation for payment of principal or interest on the Bonds any amounts due to be received as payment of principal 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 date obtained by dividing the total amount of the premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of such purchase; and in the case of an obligation purchased at a premium, by deducting the product thus obtained from the purchase price, and in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price. 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 application of the proceeds thereof or the application of any monies paid to the Corporation. Neither the Trustee nor any Paying Agent shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own monies, unless properly indemnified. Neither the Trustee nor any
Paying Agent shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any monies paid to any one of the others.

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

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

Except as otherwise expressly provided in this Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Corporation to the Trustee or any Paying Agent shall be sufficiently executed if executed in the name of the Corporation by an Authorized Officer.

805. Compensation. The Corporation shall pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all monies in the Operating Fund. The Corporation further agrees to indem-
nify 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 Corpora-
tion. 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 to the benefit of this Resolution or to any payment 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 pur-
suant 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 of their representatives duly authorized in writing.

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

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

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

Subject to the rights of holders of obligations issued pursuant to the First General Bond Resolution, the Corporation shall not modify or amend the First General Bond Resolution in any manner which would have a material adverse effect on the Bondholders, provided, however, that nothing herein shall prevent the Corporation from amending or supplementing the First General Bond Resolution to provide for the issuance of Bonds, Notes or Other Obligations (as such terms are defined in the First General Bond Resolution) as provided in the First General Bond Resolution. No such Bonds, Notes or Other Obligations shall be issued in accordance with Article II of the First General Bond Resolution if such issuance would cause the amounts stated in paragraphs (1) and (2) of Subsection 3 of Section 202 after making the deductions provided in subparagraphs 3(a) and 3(e) 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 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

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

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

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

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

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

ARTICLE XI
AMENDMENTS OF RESOLUTIONS

1101. Powers of Amendment. Any modification or amendment of this Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds and coupons hereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in Section 1102, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the
percentages or otherwise affect the classes of Bonds the consent of the
Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be
affected by a modification or amendment of this Resolution if the same
adversely affects or diminishes the rights of the Holders of Bonds and
coupons of such Series. The Trustee may in its discretion determine
whether or not in accordance with the foregoing provisions Bonds of
any particular Series or maturity would be affected by any modification
or amendment of this Resolution and any such determination shall be
binding and conclusive on the Corporation and all Holders of Bonds. The
Trustee may receive an opinion of counsel, including Counsel's Opinion,
as conclusive evidence as to whether Bonds of any particular Series or
maturity would be so affected by any such modification or amendment of
this Resolution.

1102. Consent of Bondholders. The Corporation may at any
time adopt a Supplemental Resolution making a modification or amend-
ment 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 there-
to 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 Res-
olution shall not be effective unless and until (a) there shall have been
filed with the Trustee (i) the written consents of Holders of the percent-
ages 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 Resolu-
tion, 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 Hold-
ers of the Bonds described in such certificate or certificates of the Trust-
ee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1801 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 1102 provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1801. 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 hereinafore 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 jurisdic-
tion 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 28 of the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by Sections 270 and 270-a of Article 12 of such Law as the same may be from time to time amended or if the rates of such taxes shall be reduced to rates less than those in effect on July 2, 1975; or

(g) the State shall fail to maintain the existence of either the special account for the Corporation in the municipal assistance tax fund established pursuant to Section 92-d of the State Finance Law or the stock transfer tax fund established by Section 92-b of said Law; or

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

1203. Remedies. (1) Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraphs (c), (d), (e), (f), (g) or (h) of Section 1202, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in 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 of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

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

(b) by bringing suit upon the Bonds;

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

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

(e) in accordance with the provisions of the Act, to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

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

1204. **Priority of Payments After Default.** In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal, Sinking Fund Installments or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act and this Article XII, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE XIII
Execution of Instruments by Bondholders and Proofs of Ownership of Bonds

1301. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Resolution to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Bondholders in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or, in the case of coupon Bonds, by any bank, trust company, or other depository of such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein provided), if made in the following manner:
(a) The fact and date of the execution by any Bondholder or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by delivery of a certificate, which need not be acknowledged or verified, of an officer of any bank, trust company, or other depository, or of any notary public, or other officer authorized to take acknowledgements. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

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

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

ARTICLE XIV
DEFEASANCE

1401. Defeasance. 1. If the Corporation shall pay or cause to be paid to the Holders of all Bonds and coupons then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer and delivered to the
Trustee, the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds or coupons not theretofore surrendered for such payment or redemption.

2. Bonds or coupons or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in subsection 1 of this Section. All Outstanding Bonds of any Series and all coupons appertaining to such Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient, to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which monies are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither direct obligations of the Unit-
ed 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 stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remain-
ing 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

Series 58 Resolution

Authorizing
$290,075,000
SERIES 58 BONDS

Adopted May 8, 1986
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>Series 58 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 Series 58 Resolution</td>
<td>2</td>
</tr>
</tbody>
</table>

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 58 BONDS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Authorization of Series 58 Bonds, Principal Amount, Designation and Series</td>
<td>3</td>
</tr>
<tr>
<td>202</td>
<td>Purposes</td>
<td>3</td>
</tr>
<tr>
<td>203</td>
<td>Date of Series 58 Bonds</td>
<td>3</td>
</tr>
<tr>
<td>204</td>
<td>Maturities and Interest Rates</td>
<td>3</td>
</tr>
<tr>
<td>205</td>
<td>Interest Payments</td>
<td>4</td>
</tr>
<tr>
<td>206</td>
<td>Denominations, Numbers and Letters</td>
<td>4</td>
</tr>
<tr>
<td>207</td>
<td>CUSIP Numbers</td>
<td>4</td>
</tr>
<tr>
<td>208</td>
<td>Place of Payment</td>
<td>4</td>
</tr>
<tr>
<td>209</td>
<td>Optional Redemption of Series 58 Bonds and Terms</td>
<td>4</td>
</tr>
<tr>
<td>210</td>
<td>Sinking Fund Installments</td>
<td>5</td>
</tr>
<tr>
<td>211</td>
<td>Selection by Lot</td>
<td>5</td>
</tr>
<tr>
<td>212</td>
<td>Sale of the Series 58 Bonds</td>
<td>5</td>
</tr>
<tr>
<td>213</td>
<td>Notice of Redemption</td>
<td>6</td>
</tr>
</tbody>
</table>
ARTICLE III

APPLICATION OF PROCEEDS AND REFUNDING OF BONDS

SECTION 301. Establishment of Series 28, 29 and 30 Trust Fund............................................. 7
SECTION 302. Application of Proceeds................................................................. 7
SECTION 303. Funding of Series 28, 29 and 30 Trust Fund............................................. 7
SECTION 304. Application of Amounts in Series 28, 29 and 30 Trust Fund............................. 7

ARTICLE IV

FORM AND EXECUTION OF SERIES 58 BONDS

SECTION 401. Form of Series 58 Bonds............................................................ 10
SECTION 402. No Recourse on Series 58 Bonds.................................................. 22
SECTION 403. Execution and Authentication of Series 58 Bonds................................. 22

ARTICLE V

MISCELLANEOUS

SECTION 501. Special Covenants................................................................. 23
SECTION 502. State Covenant......................................................................... 24
SECTION 503. Authorized Officers............................................................... 25
SECTION 504. When Effective................................................................. 25

*This Table of Contents was not part of the Resolution as adopted.
SERIES 58 RESOLUTION AUTHORIZING
$290,075,000
SERIES 58 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. Series 58 Resolution. This Series 58
Resolution Authorizing $290,075,000 Series 58 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, as
amended and supplemented, 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 Series 58 Resolution Authorizing
$290,075,000 Series 58 Bonds as such terms are given in said
Section 101 of the Resolution.

(b) In addition, as used in this Series 58 Resolution
Authorizing $290,075,000 Series 58 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 May 8, 1986, by and among the Corporation and the
Purchasers, in substantially the form presented at this meeting.

"Purchasers" shall mean the underwriters set forth in
Schedule I to the Bond Purchase Agreement as represented by
Salomon Brothers Inc, Goldman, Sachs & Co., Merrill Lynch Capital
Markets, Citicorp Investment Bank (Citibank, N.A.), Manufacturers
Hanover Trust Company, Morgan Guaranty Trust Company of New York,
Bear, Stearns & Co. Inc., L.F. Rothschild, Unterberg, Towbin, Inc. and Shearson Lehman Brothers Inc.

"Refunded Bonds" shall mean, collectively, the Series 28, 29 and 30 Bonds.


"Series 29 Bonds" shall mean the Corporation's Outstanding Series 29 Bonds issued pursuant to the Series 29 Resolution adopted on June 2, 1981.

"Series 30 Bonds" shall mean the Corporation's Outstanding Series 30 Bonds issued pursuant to the Series 30 Resolution adopted on June 2, 1981.

"Series 58 Bonds" shall mean the Bonds authorized by Article II of this Series 58 Resolution.

"Series 58 Resolution" shall mean this Series 58 Resolution Authorizing $290,075,000 Series 58 Bonds.

(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", "hereto", "herein", "hereunder", and any similar terms, as used in this Series 58 Resolution, refer to the Series 58 Resolution.

SECTION 103. Authority for the Series 58 Resolution. This Series 58 Resolution is adopted pursuant to the provisions of the Act and the Resolution.
ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF
SERIES 58 BONDS

SECTION 201. Authorization of Series 58 Bonds.
Principal Amount, Designation and Series. The Series 58 Bonds are hereby authorized to be issued in the aggregate principal amount of $290,075,000 pursuant to and subject to the terms, conditions and limitations established in the Resolution and this Series 58 Resolution. The Series 58 Bonds maturing on July 1 in each of the years 1997 to 2001, inclusive, shall be deemed to be Serial Bonds and the Series 58 Bonds maturing on July 1, 2008 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 "Series 58" and each as so designated shall be entitled "Series 58 Bond" and may be issued only in fully registered form; provided, however, that if, after the initial issuance of the Series 58 Bonds, the Corporation may issue bonds in coupon form, the interest on which is exempt from Federal income taxation, the Series 58 Bonds may be exchanged or transferred for Series 58 Bonds in coupon form and/or Series 58 Bonds in registered form, in accordance with the provisions of the Resolution.

SECTION 202. Purposes. The purpose for which the Series 58 Bonds are being issued is to refund the Refunded Bonds.

SECTION 203. Date of Series 58 Bonds. The Series 58 Bonds shall be dated May 1, 1986, except as otherwise provided in Section 301 of the Resolution with respect to certain registered Series 58 Bonds issued on or after the first interest payment date. Registered Series 58 Bonds issued prior to the first interest payment date thereof shall be dated May 1, 1986.

SECTION 204. Maturities and Interest Rates. The Series 58 Bonds shall bear interest at the rates per annum set forth below and shall mature on July 1 in each of the years and in the principal amounts set forth below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Interest Rate</th>
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<tbody>
<tr>
<td>1997</td>
<td>$15,975,000</td>
<td>7%</td>
</tr>
<tr>
<td>1998</td>
<td>17,090,000</td>
<td>7.10</td>
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<tr>
<td>1999</td>
<td>18,310,000</td>
<td>7.30</td>
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<td>2000</td>
<td>19,645,000</td>
<td>7.30</td>
</tr>
<tr>
<td>2001</td>
<td>21,075,000</td>
<td>7.30</td>
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<tr>
<td>2008</td>
<td>197,980,000</td>
<td>7 3/8</td>
</tr>
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SECTION 205. Interest Payments. The Series 58 Bonds shall bear interest from their date, payable semiannually on each January 1 and on each July 1, commencing January 1, 1987, 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 of the Series 58 Bonds is discharged. Interest on the Series 58 Bonds in registered form shall be paid by check or draft mailed to the registered owners thereof at their addresses as the same appear on the books of the Corporation kept by the Trustee on the tenth (10th) day next preceding an interest payment date.

SECTION 206. Denominations, Numbers and Letters. The Series 58 Bonds shall be issued in the denomination of $5,000 or an integral multiple of $5,000 only in fully registered form without coupons; provided, however, that if, after the initial issuance of the Series 58 Bonds, the Corporation may issue Bonds in coupon form, the interest on which is exempt from Federal income taxation, the Series 58 Bonds may be exchanged or transferred for Series 58 Bonds in coupon form and/or Series 58 Bonds in registered form, in accordance with the provisions of the Resolution. The Series 58 Bonds in registered form shall be designated 58R-. Each such number and letter designated above shall be followed by the last two digits of the year of maturity of the Series 58 Bonds and the number of the Series 58 Bond.

SECTION 207. CUSIP Numbers. The Corporation is hereby authorized, in its discretion, to provide for the assignment of CUSIP numbers for the Series 58 Bonds and to have such CUSIP numbers printed thereon, and the Corporation may direct the Trustee to use such CUSIP numbers on 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 number either as printed on the Series 58 Bonds or as contained in any notice of redemption.

SECTION 208. Place of Payment. The principal and redemption price of and interest on all registered Series 58 Bonds shall be payable at the corporate trust office of the Trustee. In the event that after the initial issuance of the Series 58 Bonds, the Corporation may issue Bonds in coupon form, the interest on which is exempt from Federal income taxation, any Authorized Officer is hereby authorized to appoint one or more Paying Agents for the Series 58 Bonds.

SECTION 209. Optional Redemption of Series 58 Bonds and Terms. The Series 58 Bonds shall be subject to redemption at the election of the Corporation, at any time on and after July 1, 1996, as a whole on any date or dates, or in part, by lot, on any interest payment date 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, 1996 to December 31, 1997</td>
<td>102 %</td>
</tr>
<tr>
<td>January 1, 1998 to June 30, 1999</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1999 to December 31, 2000</td>
<td>101</td>
</tr>
<tr>
<td>January 1, 2001 to June 30, 2002</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 2002 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

SECTION 210. Sinking Fund Installments. The Series 58 Bonds maturing on July 1, 2008 shall be subject to redemption, in part, by operation of the Bond Service Fund through application of Sinking Fund Installments, beginning on July 1, 2002, as herein provided, upon 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 Series 58 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the Series 58 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 Series 58 Bonds, on July 1 in each of the years set forth in the following table, the amount set forth opposite such year in such 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 Series 58 Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$22,615,000</td>
<td>2006</td>
<td>$30,060,000</td>
</tr>
<tr>
<td>2003</td>
<td>24,285,000</td>
<td>2007</td>
<td>32,285,000</td>
</tr>
<tr>
<td>2004</td>
<td>26,075,000</td>
<td>2008</td>
<td>34,660,000*</td>
</tr>
<tr>
<td>2005</td>
<td>28,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION 211. Selection by Lot. If less than all of the Series 58 Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in accordance with Section 404 of the Resolution.

SECTION 212. Sale of the Series 58 Bonds. The Series 58 Bonds authorized to be issued herein shall be sold to the

*Payment at maturity.
Purchasers at the purchase price set forth in the Bond Purchase Agreement, and any Authorized Officer is hereby authorized to execute the Bond Purchase Agreement in the name and on behalf of the Corporation and to deliver the same to the Purchasers.

Any Authorized Officer is hereby authorized to permit the distribution of the final Official Statement in substantially the form presented at this meeting, with such changes, omissions, insertions, and revisions as such officer shall deem advisable, and to sign and deliver such final Official Statement in the name and on behalf of the Corporation to the Purchasers. The Corporation hereby ratifies the use in conjunction with the sale of the Series 58 Bonds by the Purchasers of the Preliminary Official Statement dated May 5, 1986.

The Series 58 Bonds shall be delivered to the Purchasers at such time and place as shall be determined by the Corporation, subject to the conditions of the Bond Purchase Agreement and the Resolution.

SECTION 213. Notice of Redemption. In redeeming any of the Series 58 Bonds, it shall not be necessary, unless any Series 58 Bond has been issued in coupon form, to publish notice of such redemption in any Authorized Newspaper as provided in Section 405 of the Resolution but mailing of such notice as provided in the last sentence of said Section 405 shall be sufficient notice of any redemption.
ARTICLE III

APPLICATION OF PROCEEDS AND REFUNDING OF BONDS

SECTION 301. Establishment of Series 28, 29 and 30 Trust Fund. There is hereby created and established with the Trustee, a trust fund to be designated "Series 28, 29 and 30 Trust Fund" to be held in the custody of the Trustee as a trust fund separate and apart from all other funds of the Corporation or the Trustee.

Section 302. Application of Proceeds. There shall be deposited into the Bond Proceeds Account the proceeds of the sale of the Series 58 Bonds. The Trustee shall on the date of delivery of the Series 58 Bonds apply such moneys in the Bond Proceeds Account as follows: (a) such portion of the amount representing accrued interest on the Series 58 Bonds from the date thereof to the date of delivery thereof shall, in accordance with written instructions of an Authorized Officer, be deposited in the Bond Service Fund and (b) the balance thereof shall, in accordance with written instructions of an Authorized Officer, be deposited in the Series 28, 29 and 30 Trust Fund in accordance with Section 303 hereof.

Section 303. Funding of Series 28, 29 and 30 Trust Fund. The Trustee shall, on the date of delivery of the Series 58 Bonds, apply the moneys deposited in the Bond Proceeds Account on such date (exclusive of accrued interest), (i) to purchase direct obligations of the United States of America for deposit into the Series 28, 29 and 30 Trust Fund, in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications as shall be set forth in a certificate of an Authorized Officer or (ii) to deposit moneys into the Series 28, 29 and 30 Trust Fund, in such amount as shall be set forth in a certificate of an Authorized Officer; provided, that the moneys deposited pursuant to (ii) hereof and the principal of and interest on the obligations purchased pursuant to (i) hereof, when due, shall be sufficient to pay, when due, the principal or Redemption Price, as required pursuant to Section 304 hereinafter, of and interest due on the Refunded Bonds on and prior to the maturity or earlier redemption date thereof, as the case may be.

Section 304. Application of Amounts in the Series 28, 29 and 30 Trust Fund. (1) Except to the extent that such amounts may be reinvested as set forth in paragraph (2) of this Section 304, amounts on deposit in the Series 28, 29 and 30 Trust Fund, including payments received as principal of or interest on obligations deposited therein shall be used by the Trustee to pay the principal or Redemption Price of and interest on the Refunded
Bonds when due. The Trustee is hereby irrevocably instructed to pay the Sinking Fund Installments for each Series of the Refunded Bonds scheduled for July 1 in each of the years 1986 through 1991, inclusive, to redeem the balance of the Series 28 Bonds in the principal amount of $23,890,000, the balance of the Series 29 Bonds in the principal amount of $76,320,000 and the balance of the Series 30 Bonds in the principal amount of $54,730,000 on July 1, 1991 at a Redemption Price of one hundred two percent (102%) of the principal amount thereof and to pay the interest on the Refunded Bonds when due.

(2) Amounts on deposit in the Series 28, 29 and 30 Trust Fund resulting from payments received as principal of or interest on obligations deposited therein or from deposits of moneys therein, if not then needed to pay the principal or Redemption Price of and interest on the Refunded Bonds, shall, to the extent practicable, be re-invested by the Trustee as directed in a certificate of an Authorized Officer in direct obligations of the United States of America maturing at such times and in such amounts as shall be sufficient to pay when due the principal or Redemption Price of and interest on the Refunded Bonds on or prior to the maturity or other due date or dates thereof and interest earned from such re-investment and not required for such payments with regard to the Refunded Bonds shall be deposited in the Bond Service Fund or the Capital Reserve Fund as the Trustee shall be directed in a certificate of an Authorized Officer upon receipt thereof by the Trustee, free and clear of any trust, lien or pledge to the holders of the Refunded Bonds.

(3) Upon (i) the payment in full of the principal or appropriate Redemption Price of and interest on the Refunded Bonds in accordance with the terms thereof or (ii) the fulfillment of the conditions set forth in subsection 3 of Section 1401 of the Resolution, any amounts of money or obligations on deposit in the Series 28, 29 and 30 Trust Fund shall be deposited in or credited to the Bond Service Fund or the Capital Reserve Fund as the Trustee shall be directed in a certificate of an Authorized Officer.

(4) The Trustee is irrevocably instructed hereby to give such notice, including publication thereof, of the deposit of the obligations and moneys, if any, in the Series 28, 29 and 30 Trust Fund and of redemption, as shall be required in the reasonable judgment of the Trustee pursuant to Articles XIV and IV of the Resolution.

(5) In effecting payment of the principal or Redemption Price of and interest on the Refunded Bonds, the Trustee shall make payment through any Fiduciary through which payment would be permissible if the Refunded Bonds were Outstanding; provided that any money paid to such a Fiduciary representing the amount to be
paid as the principal or Redemption Price of or interest on any Refunded Bond shall be held by such Fiduciary in trust for the holders of the Refunded Bonds and separate and apart from other moneys received pursuant to the Resolution.

(6) The Trustee shall not be liable or responsible for the making of any investment or re-investment authorized by the provisions of this Section, in the manner provided in this Section, or for any loss resulting from any such investment so made.
ARTICLE IV

FORM AND EXECUTION OF SERIES 58 BONDS

SECTION 401. Form of Series 58 Bonds. Subject to the provisions of the Resolution, the Series 58 Bonds in registered form, together with the form of assignment therefor, and the Trustee's Certificate of Authentication, shall be in substantially the following forms and tenors:
(FORM OF REGISTERED BOND)
(FACE OF BOND)

No. 58R-- $................

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Series 58 Bond

___% Due July 1, ___% Due July 1,

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 _____, unless redeemed prior thereto as hereinafter provided, and to pay to the registered owner hereof interest thereon per annum at the rate specified above, payable semiannually on January 1 and on July 1, in each year, commencing January 1, 1987 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. Interest on this Bond is payable by check or draft mailed to the registered owner hereof at his address as the same appears on the books of the Corporation kept by the Trustee on the tenth (10th) day next preceding an interest payment date.

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 "Series 58 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 Series 58 Bonds be payable out of any funds other than those of the Corporation.

This Series 58 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 Series 58 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 Series 58 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the Series 58 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 Series 58 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, all as of the Date shown below.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Date: ____________________________

By _____________________________
Chairman

(SEAL)

Attest: ___________________________
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 58 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, Trustee

By _____________________________
Authorized Signature
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 amended and 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.
York shall have been apportioned and paid into and be available in the Special Aid Account established within such Municipal Assistance Aid Fund for the Corporation; (ii) all amounts received by the Corporation for deposit into the Bond Service Fund and into the Capital Reserve Fund, as payments from the Municipal Assistance Tax Fund established by the State Finance Law, which are required to be made only if and to the extent that moneys from the sales and compensating use taxes as imposed by Section 1107 of Article 28 of the Tax Law (Chapter 60 of said Consolidated Laws) and, if required, the stock transfer tax imposed by Article 12 of said Tax Law, have been appropriated by the Legislature of the State of New York from the Special Tax Account established within such Municipal Assistance Tax Fund for the Corporation or that revenues shall have otherwise been made available therefor by the State of New York; (iii) all amounts received by the Corporation from the State of New York as payments for deposit into the Capital Reserve Fund (pursuant to the Act by certification annually on or before December 1, of the Chairman to the Governor and the Director of the Budget of the State of New York, of the amount necessary to restore the Capital Reserve Fund to its required amount); and (iv) investment earnings of moneys in the Capital Reserve Fund and Bond Service Fund; provided, however, that pursuant to the Act, any provision therein or in the Resolutions or in any other agreement between the Corporation and the holders of Bonds, relating to said per capita aid, taxes and such Municipal Assistance Aid Fund, the Special Aid Account, the Municipal Assistance Tax Fund, the Special Tax Account and the Stock Transfer Tax Fund established by the State Finance Law, shall be deemed executory only to the extent of the moneys available to the State of New York in such Funds from time to time and the State of New York shall incur no liability on account thereof beyond such moneys.

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

This Bond is one of a series of Bonds designated "Series 58 Bonds" (herein called the "Series 58 Bonds"), issued in the aggregate principal amount of $290,075,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted May 8, 1986, entitled "Series 58 Resolution Authorizing $290,075,000 Series 58 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 Series 58 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Series 58 Bonds with respect thereto and the terms and conditions upon which the Series 58 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, as amended (constituting Chapter 1 of Title 16 of McKinney's Unconsolidated Laws of the State of New York) (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 Series 58 Bonds, and the Corporation hereby includes in this Series 58 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 Series 58 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 Series 58 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 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 Series 58 Bonds are issued; (f) substantially modify the requirements 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 Series 58 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 Series 58 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 and interest on all outstanding Series 58 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 Series 58 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 Series 58 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 Series 58 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 Series 58 Bond or Bonds, of the same aggregate principal amount, maturity and interest rate as the surrendered Series 58 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 Series 58 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 Series 58 Bonds are issuable only 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 Series 58 Bonds maturing in the year of maturity of the Series 58 Bond for which the denomination of the Series 58 Bond is to be specified. In the manner, subject to the conditions and upon payment of the charges, if any, provided in the Resolutions, registered Series 58 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 Series 58 Bonds in registered form without coupons, of any of the authorized denominations, of the same maturity and bearing the same rate of interest. In the event that, after the initial issuance of the Series 58 Bonds, the Corporation may issue Bonds in coupon form, the interest on which is exempt from Federal income taxes, the Series 58 Bonds may be transferred or exchanged for Series 58 Bonds in coupon form and/or Series 58 Bonds in registered form, in accordance with the provisions of the Resolutions.

The Series 58 Bonds are subject to redemption at the election of the Corporation at any time on and after July 1, 1996, 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</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1996 to December 31, 1997</td>
<td>102 %</td>
</tr>
<tr>
<td>January 1, 1998 to June 30, 1999</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1999 to December 31, 2000</td>
<td>101</td>
</tr>
<tr>
<td>January 1, 2001 to June 30, 2002</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 2002 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

The Series 58 Bonds maturing on July 1, 2008 are also subject to redemption, in part, by lot, on July 1, in each year on and after July 1, 2002, as provided in the Resolutions, 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 Series 58 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>2002</td>
<td>$22,615,000</td>
<td>2005</td>
<td>$28,000,000</td>
</tr>
<tr>
<td>2003</td>
<td>24,285,000</td>
<td>2006</td>
<td>30,060,000</td>
</tr>
<tr>
<td>2004</td>
<td>26,075,000</td>
<td>2007</td>
<td>32,285,000</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, Series 58 Bonds payable from such Sinking Fund Installment and apply any Series 58 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the Series 58 Bonds are to be redeemed, notice of such redemption shall be mailed, postage prepaid, not less than 30 days before the redemption date to the registered owners of any Series 58 Bonds or portions of the Series 58 Bonds to be redeemed. Such mailing shall be a condition precedent to such redemption. Notice of redemption having been given, as aforesaid, the Series 58 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
Series 58 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable.

* * * * *

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

_________ __________

Please Print or Typewrite Name and Address of Transferee

the within Series 58 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints Attorney to transfer the within Series 58 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 on the face of the within Series 58 Bond in every particular, without alteration or enlargement or any change whatever.
SECTION 402. No Recourse on Series 58 Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Series 58 Bonds or for any claim based thereon or on the Series 58 Resolution against any member or officer of the Corporation or any person executing the Series 58 Bonds and neither the Directors of the Corporation nor any other person executing the Series 58 Bonds of the Corporation shall be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 403. Execution and Authentication of Series 58 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 Series 58 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 of the Corporation is hereby authorized and directed to attest by her manual or facsimile signature the execution of the Series 58 Bonds.

The Trustee is hereby authorized to authenticate by manual or facsimile signature the Series 58 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 V
MISCELLANEOUS

SECTION 501. Special Covenants. (1) As used in this subsection (1) all defined terms other than Series 58 Bonds are as defined in the First General Bond Resolution. The Corporation hereby covenants with the Holders of the Series 58 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 hereby covenants further with the Holders of the Series 58 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 after deducting the amount set forth pursuant to paragraph (3)(a) of such subsection 3 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 (45) days after the end of each calendar quarter on an unaudited basis and (b) within ninety (90) 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 Fund 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 502. State Covenant. In accordance with the provisions of Section 10-a of the New York State Financial Emergency Act for The City of New York, as amended to the date hereof, being Chapter 1 of Title 16 of McKinney's Unconsolidated Laws of the State of New York (hereinafter called the "Control Act"), the Corporation hereby includes in this Series 58 Resolution the pledge and agreement of the State with the Holders of the Series 58 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 Series 58 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 Series 58 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 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 Series 58 Bonds are issued; (f) substantially modify the requirements 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 Series 58 Bonds are issued, or substantially alter the authority of the board, as set forth in said subdivision twelve to reimburse or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect 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 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 Series 58 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 Series 58 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 these Series 58 Bonds is in full force and effect.

SECTION 503. Authorized Officers. The Chairman, Vice Chairman, Chairman of the Finance Committee, Executive Director, Deputy Executive Director, Treasurer, Counsel, Secretary and Deputy Treasurer of the Corporation are each hereby authorized 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 Series 58 Resolution or the Bond Purchase Agreement in connection with the issuance of the Series 58 Bonds.

SECTION 504. When Effective. The Series 58 Resolution shall become effective immediately upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.
7 May 1986

Honorable Edward V. Regan
Comptroller
STATE OF NEW YORK
Department of Audit and Control
Alfred E. Smith Office Building
Albany, New York 12224

Re: Series 58 Bonds

Dear Mr. Regan:

This letter is to request your approval of the sale by the Municipal Assistance Corporation For The City of New York of $290,075,000 of its Series 58 Bonds to be issued pursuant to its Second General Bond Resolution. The Corporation's Preliminary Official Statement, dated May 5, 1986, relating to such sale has been provided for your information. The Official Statement for the Series 58 Bonds, to be dated May 8, 1986, will be provided to you as soon as it becomes available. The Series 58 Bonds will be sold to a syndicate of underwriters at a net discount from the initial public offering prices equal to 1.25% of the principal amount of the Series 58 Bonds and will be reoffered by the underwriters at the prices set forth in Exhibit A.

The net proceeds of sale of the Series 58 Bonds will be $282,137,657.35, all of which will be used to provide moneys for the refunding and defeasance of the Corporation's Series 28, 29 and 30 Bonds which were issued pursuant to the Second General Bond Resolution, and bear interest at the rates and mature as set forth in Part 3 of the Corporation's Preliminary Official Statement for the Series 58 Bonds. The net proceeds of the Series 58 Bonds will be used to purchase United States Treasury obligations, the principal of and interest on which will be sufficient to pay the principal or redemption price of, and interest on, the Series 28, 29 and 30 Bonds when due. This refunding will provide present value savings to the Corporation and reduce debt service requirements in certain early years.

The Series 58 Bonds are comprised of serial bonds aggregating $92,095,000 and maturing July 1 of each of the years from 1997 through 2001 and term bonds aggregating
Optional Redemption

The Series 58 Bonds are subject to redemption at the option of the Corporation on or after July 1, 1996, 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, 1996 to December 31, 1997</td>
<td>102</td>
</tr>
<tr>
<td>January 1, 1998 to June 30, 1999</td>
<td>101-1/2</td>
</tr>
<tr>
<td>July 1, 1999 to December 31, 2000</td>
<td>101</td>
</tr>
<tr>
<td>January 1, 2001 to June 30, 2002</td>
<td>100-1/2</td>
</tr>
<tr>
<td>July 1, 2002 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Series 58 Serial Bonds

An aggregate of $92,095,000 of the Series 58 Bonds will mature serially, will bear interest and will be sold as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
<th>Yield or Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$15,975,000</td>
<td>7.00%</td>
<td>100%</td>
</tr>
<tr>
<td>1998</td>
<td>17,090,000</td>
<td>7.10</td>
<td>7.15</td>
</tr>
<tr>
<td>1999</td>
<td>18,310,000</td>
<td>7.30</td>
<td>100</td>
</tr>
<tr>
<td>2000</td>
<td>19,645,000</td>
<td>7.30</td>
<td>7.35</td>
</tr>
<tr>
<td>2001</td>
<td>21,075,000</td>
<td>7.30</td>
<td>7.40</td>
</tr>
</tbody>
</table>

Series 58 Term Bonds

An aggregate of $197,980,000 of the Series 58 Bonds will mature July 1, 2008, will bear interest at 7.375% and will be sold at 98% of par.

The Series 58 Term Bonds due July 1, 2008 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 Series 58 Bonds specified for each of the years shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$22,615,000</td>
</tr>
<tr>
<td>2003</td>
<td>24,285,000</td>
</tr>
<tr>
<td>2004</td>
<td>26,075,000</td>
</tr>
<tr>
<td>2005</td>
<td>28,000,000</td>
</tr>
<tr>
<td>2006</td>
<td>30,060,000</td>
</tr>
<tr>
<td>2007</td>
<td>32,285,000</td>
</tr>
<tr>
<td>2008</td>
<td>34,660,000</td>
</tr>
</tbody>
</table>

* Payment at maturity.
ORDER AS TO AUTHENTICATION AND DELIVERY OF SERIES 58 BONDS

29 May 1986

United States Trust Company
of New York
45 Wall Street
New York, New York 10005

Ladies and Gentlemen:

We have heretofore delivered to you, as Trustee under the Second General Bond Resolution adopted November 25, 1975, as amended and supplemented (the "Second General Resolution"), by the Municipal Assistance Corporation For The City of New York (the "Corporation"), $290,075,000 principal amount of Series 58 Bonds dated May 1, 1986, in definitive form (the "Bonds"), authorized, printed, executed and issued pursuant to the Second General Resolution and the Series 58 Resolution of the Corporation adopted May 8, 1986, and to be sold pursuant to the Bond Purchase Agreement dated May 8, 1986 (the "Bond Purchase Agreement") and the Official Statement of the Corporation dated May 8, 1986. We have also delivered to you, as Trustee, on May 8, 1986, the $1,450,375.00 deposit for the purchase price of the Bonds.

You are hereby requested, authorized and ordered as Trustee 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 upon receipt of payment in the amount of $282,339,426.63 (representing the purchase price of the Bonds in the amount of $282,137,657.35 minus the sum of $1,450,375.00 which was received by us as the deposit and delivered to you on May 8, 1986, plus the sum of $1,652,144.28 which represents the accrued interest on the Bonds from May 1, 1986 to the date hereof) to or in accordance with the order of the Underwriters designated in the Bond Purchase Agreement, against their receipt therefor.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

[Signature]

By
Stephen J. Weinstein
Executive Director
CERTIFICATE OF THE DIRECTOR OF THE BUDGET
OF THE STATE OF NEW YORK
AS TO OFFICIAL STATEMENT

I, R. WAYNE DIESEL, Director of the Budget of the State of New York (the "State"), HEREBY CERTIFY as follows:

1. Responsible and knowledgeable officials of the Division of the Budget of the State under my supervision have reviewed the information contained in the Official Statement dated May 8, 1986 (the "Official Statement") of the Municipal Assistance Corporation For The City of New York under the section captioned "Certain Developments Affecting the State."

2. Such section of the Official Statement does 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. Such officials have also reviewed the information contained in the Official Statement under the section captioned "Payment of the Bonds-Per Capita Aid."

5. The numerical information concerning the amounts of the Per Capita Aid referred to in such section 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 (a), the amount of aid paid by the State in the State's 1978 fiscal year pursuant to section 54 of the State Finance Law was approximately $468 million although the amount payable out of the local assistance fund and paid to the Corporation was as stated.

Witness my signature this 29th day of May 1986.

R. Wayne Diesel
Director of the Budget
State of New York
CERTIFICATION OF THE COMMISSIONER
OF TAXATION AND FINANCE

I, Roderick G. W. Chu, Commissioner of Taxation and Finance of the State of New York, do HEREBY CERTIFY as follows:

I have reviewed the tabular data and footnotes set forth under the charts "Quarterly Collections of Sales and Compensating Use Taxes in the City" and "Quarterly Collections of Stock Transfer Tax" contained in the Official Statement of the Municipal Assistance Corporation for the City of New York, dated May 8, 1986, with respect to the Series 58 Bonds (the "Official Statement") under the sections captioned "Payment of the Bonds--Sales Tax" and "Payment of the Bonds--Stock Transfer Tax." Such tabular data and footnotes are accurate in all material respects and there are no material omissions.

This Certification constitutes my sole opinion and conclusion, and I express no opinion nor give certification with respect to any other portion of the Official Statement.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May 1986.

[Signature]
Roderick G. W. Chu
Commissioner
CERTIFICATE OF THE CITY OF NEW YORK

We, MARGARET VAN D. COOK, Deputy Comptroller for Finance, and PAUL DICKSTEIN, Director of Management and Budget, of the City of New York (the "City"), on behalf of the City, DO HEREBY CERTIFY as follows:

1. We have reviewed the information set forth under the following subheadings appearing in "Part 9 - Certain Developments Affecting the City" in the Final Official Statement of the Municipal Assistance Corporation For The City of New York, dated May 8, 1986, relating to the sale of $290,075,000 of Series 58 Bonds (the "Official Statement"): "Fiscal Years 1975-1985," "Fiscal Years 1986-1989," "City Litigation," and "Federal Bankruptcy Legislation" (collectively, the "City Information"). Certain of such information represents public information contained in the official reports, statements and other documents of the City.

2. As of this date, to the best of our knowledge after due inquiry, the City Information is a fair presentation of the information set forth therein.

IN WITNESS WHEREOF, we have hereunto set our hands this 29th day of May 1986.

THE CITY OF NEW YORK

By: ____________________________
 Deputy Comptroller for Finance

By: ____________________________
 Director of Management and Budget
CERTIFICATE OF THE COMMISSIONER
OF TAXATION AND FINANCE

I, Roderick G. W. Chu, 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 March 31, 1986 of the Sales Tax (p. 4) after deduction of cost of administering, collecting and distributing such tax was $1,876,606,140

2. The most recent collections for the twelve (12) consecutive calendar months ended March 31, 1986 of the Stock Transfer Tax (p. 5) after deduction of cost of administering, collecting and distributing such tax was $1,232,455,100

3. The most recent collections for the twelve (12) consecutive calendar months ended March 31, 1986 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

\[
\text{Total of } \frac{0}{\$3,109,061,240}
\]

The figures for Sales Tax, Stock Transfer Tax, and the total of these two taxes are rounded to the nearest whole dollar. Although each of these figures is correct, the sum of the figures for Sales Tax and Stock Transfer Tax may not equal the figure for the total of these two taxes due to the rounding of the figures.

C. The total amount of $3,109,061,240 for the twelve (12) consecutive calendar months ended March 31, 1986 as set forth in Paragraph B above (taking into account, among other factors, those factors set forth in Paragraph E below), is less than the revenues expected by me, taking into account the 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 April 1, 1986 from the Sales Tax and Stock Transfer Tax will be less than $3,109,061,240.

E. With respect to Sales Tax collection for the twelve (12) consecutive calendar months ended March 31, 1986, 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. 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 and commencing June 1, 1980, a greater consideration is given to current unverified vendor quarterly collection data in making distributions for a quarterly period. 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 April 1986. Overdistributions were made to the Special Account which ranged from $41,255 to $19,303,739 for certain prior periods. The State Department of Taxation and Finance has made reductions in subsequent distributions to the Special Account to reflect these overpayments and, in addition, has made increases in distributions commencing January 1976 in approximate amounts ranging from $117,000 to $12.3 million to reflect underdistributions for certain prior periods. 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 and all amendments thereto.

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 or the implementation of a nationwide market system in securities pursuant to Congressional mandate and Securities and Exchange Commission rules would occasion a change in my expectations set forth in Paragraph C above.

IN WITNESS WHEREOF, I have hereunto set my hand on this 29th day of May 1986.

Roderick G. W. Chu

To: United States Trust Company of New York as Trustee under the Resolution (as defined above).
CERTIFICATE OF THE DIRECTOR OF THE BUDGET
OF THE STATE OF NEW YORK
AS TO PER CAPITA AID

I, R. WAYNE DIESEL, 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, available to be apportioned and paid into the Special Aid Account of the Municipal Assistance Corporation For The City of New York in the Municipal Assistance State Aid Fund established pursuant to Section 92-e of the State Finance Law for the fiscal year of the State ending March 31, 1987 is $434,215,000 on June 25, 1986, $49,809,000 on December 15, 1986, and an additional payment on September 15, 1986.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May 1986.

R. Wayne Diesel
Director of the Budget
State of New York
GENERAL CERTIFICATE OF THE
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
DATED MAY 29, 1986

I, MAXINE H. GILLMAN, 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. That the members of the Board of Directors of the Corporation (the "Board"), their Corporation offices, if any, and the dates of the expiration of their terms are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Corporation Office</th>
<th>Date of Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix G. Rohatyn</td>
<td>Chairman</td>
<td>December 31, 1987</td>
</tr>
<tr>
<td>Edward M. Kresky</td>
<td>Vice Chairman</td>
<td>December 31, 1985(1)</td>
</tr>
<tr>
<td>Francis J. Barry</td>
<td></td>
<td>December 31, 1983(1)</td>
</tr>
<tr>
<td>Kenneth J. Bialkin</td>
<td></td>
<td>December 31, 1982(1)</td>
</tr>
<tr>
<td>George M. Brooker</td>
<td></td>
<td>December 31, 1977(1)</td>
</tr>
<tr>
<td>Eugene J. Kellin</td>
<td></td>
<td>December 31, 1982(1)</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td></td>
<td>December 31, 1987</td>
</tr>
<tr>
<td>Andrew P. Steffan</td>
<td></td>
<td>December 31, 1984(1)</td>
</tr>
<tr>
<td>Robert C. Weaver</td>
<td></td>
<td>December 31, 1984(1)</td>
</tr>
</tbody>
</table>

(1) Holdover pursuant to law.

3. That each of the said persons named in Paragraph 2 is the duly elected or appointed, designated, qualified and acting Director of the Corporation holding the office, if any, indicated above.
4. That the firm of Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York, was appointed General Counsel to the Corporation on June 10, 1975.

5. That 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. That the By-Laws of the Corporation adopted April 7, 1978, as amended March 28, 1979, September 23, 1981 and June 3, 1982 are in full force and effect on the date hereof and have not been repealed, modified or further amended.

7. That except as set forth in the Final Official Statement dated May 8, 1986, attached to the Record of Proceedings as Document No. 1 and by this reference made a part hereof, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public board or body pending (or to the best of the knowledge of the Corporation threatened) against the Corporation or (to the best of the knowledge of the Corporation, no independent investigation having been made) any other person, wherein an unfavorable decision, ruling or finding might in any material respect adversely affect the transactions contemplated by the Bond Purchase Agreement attached to the Record of Proceedings as Document No. 3 (the "Agreement"), the issuance of the $290,075,000 Series 58 Bonds (the "Series 58 Bonds"), or which in any way might adversely affect provisions for the payment of principal, premium, if any, or interest on the Series 58 Bonds or the validity of the Series 58 Bonds, the Resolutions (as defined below), the Agreement, or any agreement or instrument to which the Corporation is a party which is required in connection with the issuance of the Series 58 Bonds, and that there is no litigation of any nature now pending (or to the best of the knowledge of the Corporation threatened) against the Corporation restraining or enjoining the issuance, sale, execution or delivery of the Series 58 Bonds or in any way contesting or affecting any proceedings of the Corporation taken with respect to the issuance thereof or the existence or powers of the Corporation.

8. That the Second General Bond Resolution of the Corporation adopted November 25, 1975 as amended and supplemented (the "Second General Bond Resolution"), and the Series 58 Resolution of the Corporation adopted May 8, 1986 (such resolutions being hereinafter called the "Resolutions"), attached to the Record of Proceedings as Documents No. 5 and 6, respectively, copies of which are being delivered contemporaneously herewith to the Trustee named in such Resolutions, 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 are in full force and effect on the date hereof and have not been repealed, modified or amended.
9. That the Extract of the Minutes of the Meeting of the Corporation attached to the Record of Proceedings as Document No. 4 is a true and correct copy of the original thereof on file and of record in the principal office of the Corporation and that the same is in full force and effect on the date hereof and has not been repealed, modified or amended.

10. That the specimens of the Series 58 Bonds attached hereto as Exhibit B are identical in all respects, except as to number and denomination, and name of registered owner, with the Series 58 Bonds this day delivered to the Purchasers (the "Purchasers") referred to in the Series 58 Resolution and said specimens are substantially in the forms required by the Resolutions.

WE, STEPHEN J. WEINSTEIN AND MAXINE H. GILLMAN, Executive Director and Secretary, respectively, of the Corporation, HEREBY CERTIFY as follows:

1. That the Series 58 Bonds delivered to the Purchasers on this date, specimens of which are attached hereto, which Series 58 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 thereon of the facsimile signature of Felix G. Rohatyn, Chairman of the Corporation, who has adopted such signature and the affixing thereof of a facsimile of the official seal of the Corporation attested to by the facsimile signature of Maxine H. Gillman, Secretary of the Corporation, who did and does hereby adopt such signature.

2. That at the time of the signing and execution of the Series 58 Bonds and on the date hereof, Felix G. Rohatyn was and is the duly chosen, qualified and acting Chairman of the Corporation authorized to execute the Series 58 Bonds and Maxine H. Gillman was and is the duly chosen, qualified and acting Secretary of the Corporation authorized to attest to the execution of the Series 58 Bonds.

3. That a facsimile of the seal, an impression of which appears below, has been imprinted on the Series 58 Bonds, and it is the legally adopted, proper and only official corporate seal of the Corporation.

4. That 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 adopted by the Corporation on July 2, 1975, as amended and supplemented (the "First General Bond Resolution").

5. That (a) the maximum amount of principal and interest maturing or otherwise becoming due in the current or any succeeding Fiscal Year on any outstanding obligations issued pursuant to the First General Bond Resolution
and the Outstanding Note Resolutions is $343,718,350; (b) the aggregate amount of principal on Serial Bonds, the Sinking Fund Installments, maturities of Term Bonds not required to be paid from Sinking Fund Installments and interest on all Outstanding Bonds, including the Series 58 Bonds, for each Fiscal Year is as set forth in Exhibit A attached hereto; and (c) the aggregate estimated amount of Operating Expenses for the current Fiscal Year is $10,700,000. (All defined terms in this Paragraph 5 are defined in the Second General Bond Resolution.)

6. That the aggregate of (i) the amount set forth in the Certificate of the New York State Commissioner of Taxation and Finance, a copy of which is attached to the Record of Proceedings as Document No. 12, as representing the Sales Tax and Stock Transfer Tax, and (ii) the amount set forth in the Certificate of the New York State Director of the Budget, a copy of which is attached to the Record of Proceedings as Document No. 13, as representing the actual amount of Per Capita Aid apportioned and paid into the Special Aid Account after deducting (iii) the aggregate amount set forth in Paragraphs 5(a) and 5(c) herein, will be at least 2.0 times the aggregate amount set forth in Paragraph 5(b) herein, and maximum annual debt service on notes of the Corporation not issued under the Resolution or the First General Bond Resolution, for each Fiscal Year set forth pursuant to Paragraph 5(b) herein.

7. That each of the representations of the Corporation set forth in Section 1 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. That each of the agreements set forth in Section 1 of the Agreement to be complied with at or prior to the delivery of the Series 58 Bonds on the date hereof has been complied with as of the date hereof.

9. That the Series 58 Bonds and the Resolutions conform in all material respects to the descriptions thereof in the Final Official Statement.

10. That 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 supplemented or amended as of the date hereof.

11. That the Corporation has not issued any Bonds, Notes or Other Obligations which would cause 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, 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 11 are defined in the First General Bond Resolution.)

IN WITNESS WHEREOF, we have hereunto set our hands and the seal of the Corporation this 29th day of May 1986.

Signature:  

Official Title  
Executive Director

Term of Office Expires  
Indefinite

Secretary  
Indefinite

(SEAL)

I HEREBY CERTIFY that the signatures of the Officers of the Municipal Assistance Corporation For The City of New York, which appear above are true and genuine and that I know said officers and know them to hold said offices set opposite their signatures.

Signature  

Title  

Name of Bank

Vice President  
United States Trust Company of New York
### Municipal Assistance Corporation for the City of New York

#### Debt Management System

**Debt Service Schedule and Funding Requirements by Fiscal Year**

<table>
<thead>
<tr>
<th>FY</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
<th>Comments</th>
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<td>1987</td>
<td>160,830</td>
<td>521,861</td>
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<td>240,165</td>
<td>527,513</td>
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<td>1989</td>
<td>269,275</td>
<td>507,134</td>
<td>776,409</td>
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<tr>
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<td>286,005</td>
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<td>434,835</td>
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<td>6,491,810</td>
<td>894,332</td>
<td>7,386,142</td>
<td>7,386,142</td>
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</tbody>
</table>

SECOND RIS AFTER SEC 58
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
SERIES 58 BOND 7% DUE JULY 1, 1997

This Bond is one of a duly authorized issue of bonds of the Corporation designated as the "Bonds" and is to be issued in the amount herein specified and to be secured in the full and complete amount of the sum of the proceeds of the issue to the Municipal Assistance Corporation for the City of New York, New York City, as guaranteed by the New York City Municipal Assistance Corporation, which guarantee is conditioned upon the Corporation and the City of New York performing and discharging all of the covenants, agreements, obligations and conditions contained in the obligations of the Corporation hereinafter referred to as "the Bonds" and in the agreement between the Corporation and the New York City Municipal Assistance Corporation to which the Corporation is a party and is subject to all of the terms and conditions and in all respects subject to the provisions of the indenture of trust of such obligations of the Corporation which is referred to as the "Indenture", to which the Corporation is a party and of any amendment or modification of such indenture and in the Indenture of trust of the City of New York Municipal Assistance Corporation, to which the Corporation is a party and of any amendment or modification of such indenture.

The Bonds are to be issued for the purpose of providing the necessary funds for the redemption of the Bonds of the Corporation and the payment of the interest thereon as secured by the Corporation and the City of New York, New York City.

The Bonds are to be issued and the interest thereon is to be paid in accordance with the terms and conditions of the Indenture of trust of the Corporation and the City of New York, New York City, and such other terms and conditions as may be specified in the Indenture of trust of the Corporation and the City of New York, New York City.

The Bonds are to be issued without registration with the Commission of the Securities and Exchange Commission, and the Corporation is hereby authorized to sell, issue and deliver the Bonds in accordance with the terms and conditions of the Indenture of trust of the Corporation and the City of New York, New York City.

The Corporation is hereby authorized to sell, issue and deliver the Bonds in accordance with the terms and conditions of the Indenture of trust of the Corporation and the City of New York, New York City, and such other terms and conditions as may be specified in the Indenture of trust of the Corporation and the City of New York, New York City.

The Bonds are to be issued and the interest thereon is to be paid in accordance with the terms and conditions of the Indenture of trust of the Corporation and the City of New York, New York City, and such other terms and conditions as may be specified in the Indenture of trust of the Corporation and the City of New York, New York City.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SERIES 58 BOND 7.10% DUE JULY 1, 1998

This bond for a sum of $1,000 and interest at the rate of 7.10% per annum, payable semi-annually on each of July 1 and January 1, until redemption, and is secured by a pledge of the bonds of the Corporation and other securities and assets of the Corporation, as provided by the Bond Act of New York State and the City Charter, and is otherwise secured as provided by law.

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:

TEN - 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

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please Print or Typeprint Name and Address of Transferee

the within Series 58 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Series 58 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 on the face of the within Series 58 Bond in every particular, without alteration or enlargement or any change whatever.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK.* SERIES 88 BOND 7.30% DUE JULY 1, 1999

This Bond is one of a duly authorized issue of bonds of the Corporation designated as "Series 88" and secured by a mortgage of the Real and Personal Estate of the City of New York, and the improvement and real-estate therein situate, for the payment of the principal of and interest on this Bond, which bears date of issue on the face of this Bond, to the order of the party to whom this Bond shall be paid and is subject to the approval of the Corporation or its duly authorized representative before being paid, to the Corporation or its duly authorized representative, or to any mortgagee under the mortgage, or to any person entitled to receive payment thereof under the mortgage. The Corporation, and any corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.

The Corporation, and any successor corporation in the place of the Corporation, may sell, assign, exchange, mortgage or pledge, in all manner of cases, this Bond, and the principal of and interest thereon, to the Corporation or to any mortgagee under the mortgage, and the Corporation shall be at liberty to sell, assign, exchange, mortgage or pledge this Bond, and the principal of and interest thereon, to any person entitled to receive payment thereof under the mortgage.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
SERIES 58 BOND 7.30% DUE JULY 1, 2000

The Securities Act of 1933 is a statutory provision of the Securities Act of 1933 that prohibits the sale of unregistered securities without a registration statement filed with the SEC. As such, the Municipal Assistance Corporation for the City of New York, Series 58 Bond, is exempt from registration under the Securities Act of 1933.

The offering of the Series 58 Bond is subject to the conditions set forth in the registration statement filed with the SEC. The offering is being made to qualified institutional buyers and is not being made generally to the public. The offering is intended to be made only in accordance with the registration statement.

The Series 58 Bond is a fixed-rate bond with a coupon rate of 7.30% and will mature on July 1, 2000. The bond is guaranteed by the City of New York and is secured by a lien on certain real property located in the City of New York.

The proceeds from the sale of the Series 58 Bond will be used to finance the construction and acquisition of the New York City Housing Authority's (NYCHA) rehabilitated housing developments.

The bondholders are entitled to receive interest payments semi-annually on January 1 and July 1, and the principal amount will be paid on July 1, 2000.

The bondholders are also entitled to receive a sinking fund payment on July 1, 2000, in the amount of $1,000,000. The sinking fund payment is the portion of the principal amount that will be paid at the maturity date.

The bondholders are subject to federal income tax on the interest earned on the Series 58 Bond. The tax liability may be subject to state and local taxes as well.

Please Print or Typewrite Name and Address of Transferee

the within Series 58 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Series 58 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 on the face of the Series 58 Bond.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SERIES 58 BOND

7.30% DUE JULY 1, 2001

CUSIP 684940 AG 5

REGISTERED
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SERIES 88 BOND 7.30% DUE JULY 1, 2001

The Bond is one of a day authorized issue of bonds of the Corporation designated as the "Series 88 Bond" and has not been sold or otherwise disposed of nor is it otherwise subject to any lien, mortgage, charge, encumbrance or security agreement of any kind or nature, and the Corporation shall have the right to deliver the Bond to the holder thereof.

The Corporation is a public corporation organized under the laws of the State of New York. The Corporation was incorporated for the purpose of making loans to, making advances to, and lending money upon the security of, and purchasing and holding securities of other public and private corporations, and for doing any act or thing that is necessary or convenient to enable or facilitate the Corporation to carry out the purposes of its existence.

The Corporation is authorized and is engaged in making loans and advances to the City of New York and its agencies, and in the purchase and holding of securities of other public and private corporations.

The Corporation is authorized by law to issue bonds for the purpose of making loans to the City of New York and its agencies, and to lend money upon the security of, and to purchase and hold securities of other public and private corporations.

The Corporation has the power to lend money upon the security of, and to purchase and hold securities of other public and private corporations, and to make loans and advances to the City of New York and its agencies.

The Corporation has the power to acquire, hold, and dispose of real and personal property, and to do all acts and things necessary or convenient to enable or facilitate the Corporation to carry out the purposes of its existence.

The Corporation has the power to make loans and advances to the City of New York and its agencies, and to lend money upon the security of, and to purchase and hold securities of other public and private corporations.

The Corporation has the power to issue bonds for the purpose of making loans to the City of New York and its agencies, and to lend money upon the security of, and to purchase and hold securities of other public and private corporations.

The Corporation has the power to give security for, and to guarantee the performance of, the obligations of other public and private corporations, and to make such other loans and advances as may be necessary or convenient for the carrying out of the purposes of its existence.

The Corporation has the power to lend money upon the security of, and to purchase and hold securities of other public and private corporations, and to make loans and advances to the City of New York and its agencies.

The Corporation has the power to give security for, and to guarantee the performance of, the obligations of other public and private corporations, and to make such other loans and advances as may be necessary or convenient for the carrying out of the purposes of its existence.

The Corporation is authorized and is engaged in making loans and advances to the City of New York and its agencies, and in the purchase and holding of securities of other public and private corporations.

The Corporation is authorized by law to issue bonds for the purpose of making loans to the City of New York and its agencies, and to lend money upon the security of, and to purchase and hold securities of other public and private corporations.

The Corporation has the power to lend money upon the security of, and to purchase and hold securities of other public and private corporations, and to make loans and advances to the City of New York and its agencies.

The Corporation has the power to make such loans and advances as may be necessary or convenient for the carrying out of the purposes of its existence.
I. GENERAL

1.1. I, Quentin B. Spector, Deputy Executive Director and Treasurer of the Municipal Assistance Corporation For The City of New York (the "Corporation"), HEREBY CERTIFY with respect to the Corporation's $290,075,000 Series 58 Bonds (the "Bonds") which are being issued and delivered on the date of this certificate pursuant to a general bond resolution of the Corporation adopted November 25, 1975, as amended and supplemented (the "Second Resolution"), and a series resolution adopted May 8, 1986 (the "Series 58 Resolution"), as follows:

1.2. I am an officer of the Corporation charged with the responsibility for issuing the Bonds.

1.3. This certificate is made for the purpose of establishing the reasonable expectations of the Corporation as to the amount and use of the proceeds of the Bonds. It is intended and may be relied upon as a certification described in Section 1.103-13(a)(2)(ii) of the Treasury Regulations under Section 103(c) of the Internal Revenue Code of 1954, as amended (the "Code"), and is being executed and delivered as part of the record of proceedings in connection with the Bonds.

1.4. The Commissioner of Internal Revenue has not published notice of, nor has the Corporation been notified of any listing or proposed listing of the Corporation by the Internal Revenue Service as an issuer whose certification may not be relied upon for arbitrage purposes by holders of its obligations.

1.5. This certificate sets forth the facts, estimates and circumstances now in existence which are the basis for the Corporation's expectation that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be arbitrage bonds under Section 103(c) of the Code. To the best of my knowledge and belief, the
expectations contained herein, including the expectations relating to the use of the proceeds of the Bonds, are reasonable and there are no other facts, estimates or circumstances that would materially change such expectations.

II. PURPOSE OF ISSUE

2.1. The Corporation is issuing the Bonds and effecting its refunding program in order to avail itself of present value savings and to restructure its debt service requirements so as to reduce the amounts necessary for debt service on its outstanding bonds for several succeeding fiscal years. The proceeds of the Bonds will be used to refund all of the Corporation's outstanding Series 28, 29, and 30 Bonds issued pursuant to the Second Resolution (collectively, the "Refunded Bonds") as more fully described in paragraph 3.1 hereof. The Refunded Bonds were issued pursuant to the Second Resolution and series resolutions adopted on January 21, 1981 (Series 28 Bonds) and June 2, 1981 (Series 29 and 30 Bonds). Such Refunded Bonds are outstanding as of the date hereof in the aggregate principal amount of $234,245,000 and are listed on Exhibit A attached hereto.

2.2. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

III. AMOUNT AND USE OF PROCEEDS

3.1.a. The proceeds from the sale of the Bonds are $282,137,657.35 (exclusive of underwriters' discount of $3,628,838.25, original issue discount of $4,308,504.40 and interest on the Bonds for 28 days of $1,652,144.28). All of such proceeds will be applied to refund the Refunded Bonds.

b. The accrued interest on the Bonds in the amount of $1,652,144.28 will be applied on January 1, 1987 to payment of interest on all bonds of the
Corporation issued pursuant to the Second Resolution and may be invested prior to such expenditure without restriction as to yield.

c. Of the remaining proceeds from the sale of the Bonds, $256,663,200 will be invested in United States Treasury Obligations-State and Local Government Series ("SLGs"); $25,470,616.93 will be invested in a note of the United States Treasury (the "T Note") and $3,840.42 will be uninvested as cash. The SLGs and the T Note are listed on Exhibit B.

3.2. The SLGs, the T Note and $3,840.42 cash will be deposited on the date hereof in a special trust fund entitled the "Series 28, 29 and 30 Trust Fund" which was established by the Series 58 Resolution with the Trustee under the Second Resolution. The SLGs and T Note will mature in principal amounts and bear interest coming due at such times so that sufficient moneys will be available from such principal and interest to pay principal (or redemption price) of and interest on the Refunded Bonds as the same become due, as shown on Exhibit C.

3.3. The proceeds from the sale of the Refunded Bonds, together with investment earnings thereon, have all been expended on items other than acquired obligations except for an aggregate amount equal to $4,740,000 which was deposited in the Capital Reserve Fund established under the Second Resolution (the "Second Capital Reserve Fund") to secure all bonds issued under the Second Resolution and $10 million (the "City Capital Proceeds") attributable to the Series 29 and 30 Bonds being held pending use to finance a portion of the capital requirements of the City of New York (the "City") through the purchase of bonds of the City (the "City Bonds"). Specifically, all such original proceeds, other than those discussed above, were used to finance capital projects of the City through the purchase of bonds of the City (the "City Bonds"), as follows:
On the basis of a certificate from the Office of Management and Budget and Office of the Comptroller of the City dated as of May 8, 1986, the Corporation reasonably believes that the City Bonds, and therefore the Refunded Bonds, constitute bonds that come within the scope of the postponement of the effective date of certain provisions of a bill passed by the House of Representatives on December 17, 1985 (H.R. 3838), endorsed in a joint statement made on March 14, 1986 (the "Joint Statement") by Dan Rostenkowski, Chairman of the House Committee on Ways and Means, Bob Packwood, Chairman of the Senate Committee on Finance, John J. Duncan, Ranking Member of the House Committee on Ways and Means, Russell Long, Ranking Member of the Senate Committee on Finance, and the Secretary of the Treasury, James A. Baker III. A copy of such certificate and the Joint Statement are attached hereto as Exhibit D.

3.4. With respect to the City Capital Proceeds:

a. The City Capital Proceeds will be used to finance a portion of the City's capital program through the purchase of City Bonds and will be invested at a yield not in excess of the yield on the Bonds prior to their expenditure as set forth in this paragraph.

b. The City Capital Proceeds will be expended pursuant to an agreement between the Corporation and the City dated October 27, 1981, as amended and supplemented by letter agreement dated May 23, 1986 (the "City Bond Purchase Agreement"), which, among other things, obligates the City to sell, and the Corporation to purchase, City Bonds in a principal amount equal to the City Capital Proceeds and investment earnings thereon from the date hereof to the
date of purchase of such City Bonds (the "City Capital Investment Proceeds"). The Corporation expects to hold such City Bonds to maturity.

c. The letter agreement dated May 28, 1986 amending and supplementing the City Bond Purchase Agreement (the "Supplement") provides that the City will expend the City Capital Proceeds and City Capital Investment Proceeds to finance a portion of its capital program in such manner so as not to jeopardize the tax-exempt status of the Corporation's Series 29 and 30 Bonds and the Bonds. The City expects to sell such City Bonds to the Corporation on or before September 1, 1987.

3.5. Investment proceeds of the Refunded Bonds, other than the City Capital Investment Proceeds, to the extent not required to finance capital projects of the City, were deposited in the Bond Service Fund and used for the payment of debt service on all Second Resolution Bonds within three years of date of issuance of the specific series of the Refunded Bonds to which such proceeds were traceable or one year of the date of receipt, whichever was later. The City Capital Investment Proceeds will be invested at a yield not in excess of the yield on the Bonds prior to expenditure as set forth in paragraph 3.4 herein.

IV. TERMS OF THE BONDS AND CALCULATION OF YIELD

4.1. The date, maturities, rates of interest and redemption features of the Bonds are shown on Exhibit E attached hereto. When used in this certificate, the term "yield" refers to yield computed by the actuarial present value method using a 360-day year and semiannual compounding, and means that discount rate which, when used in computing the present worth of all payments of principal and interest to be paid on an obligation, produces an amount equal to the purchase price thereof.
4.2. The Corporation's contract of sale with the underwriters for the Bonds specifies that such underwriters are entering into the contract for the purpose of purchasing the Bonds for resale to the public and that bonds shall be offered by the Underwriters at prices no greater than those listed in Exhibit E attached hereto, plus accrued interest. At the time the contract was entered into, the interest rates and initial sales prices of other municipal bond issues and the underwriters' discount were reviewed by the Corporation. As a result, the Corporation believes that the initial offering prices of the Bonds to the public at the time of the sale to the underwriters reasonably reflected the fair market value of the Bonds applicable in the established tax-exempt securities market.

4.3. As described in Exhibit E, certain of the Bonds are required to be redeemed from mandatory sinking fund payments to be made in certain years. Although Bonds may be purchased and tendered in lieu of such sinking fund payments, the economic justification for such purchases will depend on the market price of the Bonds at such time, which cannot be predicted now. Accordingly, the Corporation has no reasonable expectation other than that the mandatory sinking fund payments will be applied to the redemption of Bonds at the time and in the amount shown on such Exhibit.

4.4. Exhibit E indicates that the Bonds may be redeemed prior to maturity at various prices, starting at 102% of par, beginning in the year 1996. However, it is not reasonably expected that a significant amount of Bonds will be redeemed prior to maturity except by operation of the mandatory sinking fund provisions referred to in subparagraph 4.3 hereof.

4.5. Taking into account the factors listed above, the amounts required to be applied to the payment of principal and interest on the Bonds are listed by date and are shown on Exhibit E. When these amounts were discounted to the date of delivery
of the Bonds at a yield of 7.4836%, their aggregate present worth was equal to $287,418,639.88 (an amount comprised of $285,766,495.60, the par amount of the Bonds less original issue discount of $4,308,504.40) plus accrued interest on the Bonds of $1,652,144.28) and accordingly, the yield on the Bonds was established as represented on Exhibit F attached hereto.

4.6. The composite yield on the SLGs and T Note, as shown on Exhibit G, is not in excess of the yield on the Bonds.

V. EXCESS PROCEEDS

5.1. All proceeds of the Bonds (including investment proceeds) other than proceeds that will be:

a. used to pay principal and interest and call premium on the Refunded Bonds;

b. used to pay accrued interest on the Bonds from May 1, 1986 to the date hereof;

c. amounts treated as proceeds solely because they are accumulated in the Bond Service Fund (as described in paragraph 6.2. herein); and

d. transferred proceeds that will be used for the purposes for which the Refunded Bonds were issued;

will not exceed 1% of the amount received by the Corporation as a result of the sale of the Bonds less costs of issuance.

VI. DEBT SERVICE

6.1. The Corporation expects to pay debt service on the Bonds from amounts received from the State of New York (the "State") as per capita State aid and
from revenues from the State sales tax imposed only in the City of New York and State stock transfer tax, as well as amounts received as principal and interest on bonds issued by the City of New York (the "City"), and investment earnings on acquired obligations which are deposited in the Bond Service Fund (collectively, the "Revenues").

6.2. The Bond Service Fund is a debt service fund for all bonds of the Corporation issued pursuant to the Second Resolution. It is expected that the amount of Revenues deposited in the Bond Service Fund will be expended on the payment of debt service on all such bonds within 13 months of the date of deposit. Further, it is expected that the amount deposited in the Bond Service Fund will be depleted at least once a year except possibly for a carryover amount which will not exceed the greater of one year's earnings on such Fund or one-twelfth of annual debt service. Consequently, moneys deposited in the Bond Service Fund may be invested without restriction as to yield.

6.3. The Bonds will be secured by the Second Capital Reserve Fund. The Second Capital Reserve Fund is a debt service reserve fund for all bonds issued pursuant to the Second Resolution. Moneys in such fund are derived both from Revenues (as defined in Section 6.1 hereof) and from proceeds of the Corporation's bonds and amounts in such Fund do not exceed debt service on all Second Resolution bonds coming due in the succeeding calendar year (the "Requirement"). Under the terms of a letter ruling issued to the Corporation by the Internal Revenue Service on July 10, 1984 supplementing letter rulings issued on April 29, 1980 (as supplemented and clarified) and March 23, 1981, however, amounts in the Second Capital Reserve Fund may, on any given date, exceed the Requirement; such amounts will not, however, exceed the lesser of 1.25 times average annual debt service or maximum
annual debt service on all bonds issued under the Second Resolution. This amount has never exceeded, and will never exceed, 15% of the face amount of all bonds issued pursuant to the Second Resolution, taking into account the terms of the Letter Rulings. As a result of the refunding of the Refunded Bonds and the issuance of the Bonds, approximately $15.4 million is no longer needed to fund the Second Capital Reserve Fund in accordance with the terms of the Letter Rulings and will be deposited into the Bond Service Fund to be used to pay debt service on all Second Resolution Bonds. No proceeds of the Bonds will be deposited in such Fund.

6.4. The Corporation has not created, nor does it intend to create or establish, any funds other than the Bond Service Fund and the Second Capital Reserve Fund for the payment of debt service on the Bonds or which may be pledged as security for the Bonds. While other funds and accounts of the Corporation 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 Corporation other than the payment of debt service on the Bonds, they will be so used. Accordingly, it cannot be said with any reasonable assurance that any of these amounts will be available for the payment of debt service on the Bonds if such need should ever arise.

6.5. Interest received from the investment of amounts deposited in the Bond Service Fund will be expended on the payment of debt service within one year of receipt and will be invested without restriction as to yield during the interim.

6.6. Interest received from the investment of amounts deposited in the Second Capital Reserve Fund will be retained for investment in such Fund to the extent permitted by the terms of the Letter Rulings. Any substantial excess amount,
taking into account the terms of the Letter Rulings, will be transferred to the Bond Service Fund and expended for the payment of debt service within one year of receipt.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May 1986.

[Signature]
Quentin B. Spector
Deputy Executive Director and Treasurer
Municipal Assistance Corporation For The City of New York
Outstanding Series 28, 29 and 30 Bonds

The Series 28 Bonds are currently outstanding in the aggregate principal amount of $29,780,000, bear interest at the rate of 10-5/8% and are due July 1, 2007. The Series 28 Bonds will be redeemed through mandatory sinking fund installments at 100% of the principal amounts thereof, plus accrued interest to the redemption dates, on July 1 in each of the years 1986 through 1991, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$ 935,000</td>
<td>10-5/8%</td>
</tr>
<tr>
<td>1987</td>
<td>955,000</td>
<td>10-5/8%</td>
</tr>
<tr>
<td>1988</td>
<td>970,000</td>
<td>10-5/8%</td>
</tr>
<tr>
<td>1989</td>
<td>990,000</td>
<td>10-5/8%</td>
</tr>
<tr>
<td>1990</td>
<td>1,010,000</td>
<td>10-5/8%</td>
</tr>
<tr>
<td>1991</td>
<td>1,030,000</td>
<td>10-5/8%</td>
</tr>
</tbody>
</table>

The balance of $23,890,000 principal amount of the Series 28 Bonds will be redeemed on July 1, 1991 at a redemption price of 102% of the principal amount thereof, plus accrued interest to the redemption date.

The Series 29 and 30 Bonds are currently outstanding in the aggregate principal amounts of $119,075,000 and $85,390,000, respectively, bear interest at the rate of 11-3/8% and are due July 1, 2000. The Series 29 and 30 Bonds will be redeemed through mandatory sinking fund installments at 100% of the principal amounts thereof plus accrued interest to the redemption dates, on July 1 in each of the years 1986 through 1991, as follows:
<table>
<thead>
<tr>
<th>Year</th>
<th>Series 29 Bonds</th>
<th>Series 30 Bonds</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$6,675,000</td>
<td>$4,785,000</td>
<td>11-3/8%</td>
</tr>
<tr>
<td>1987</td>
<td>6,855,000</td>
<td>4,915,000</td>
<td>11-3/8</td>
</tr>
<tr>
<td>1988</td>
<td>7,035,000</td>
<td>5,045,000</td>
<td>11-3/8</td>
</tr>
<tr>
<td>1989</td>
<td>7,215,000</td>
<td>5,175,000</td>
<td>11-3/8</td>
</tr>
<tr>
<td>1990</td>
<td>7,395,000</td>
<td>5,305,000</td>
<td>11-3/8</td>
</tr>
<tr>
<td>1991</td>
<td>7,580,000</td>
<td>5,435,000</td>
<td>11-3/8</td>
</tr>
</tbody>
</table>

The balance of $76,320,000 principal amount of the Series 29 Bonds and $54,730,000 of the Series 30 Bonds will be redeemed on July 1, 1991 at a redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date.
SUBSCRIPTION FOR PURCHASE AND ISSUE OF
U.S. TREASURY SECURITIES
STATE AND LOCAL GOVERNMENT SERIES

To: Federal Reserve Bank or Branch at New York, New York

1. Pursuant to the provisions of Department of the Treasury Circular, Public Debt Series No. 3-72, current revision, the undersigned hereby subscribes for the purchase of the following securities:
   a. ☐ United States Treasury Certificates of Indebtedness — State and Local Government Series (SCHEDULE 1)
      TOTAL AMOUNT $ 1,821,100
   b. ☐ United States Treasury Notes — State and Local Government Series (SCHEDULE 2)
      TOTAL AMOUNT $ 254,842,100
   c. ☐ United States Treasury Bonds — State and Local Government Series (SCHEDULE 3)
      TOTAL AMOUNT $
      GRAND TOTAL $ 256,663,200

   as described on the attached schedules, which are incorporated by reference to this subscription, to be used as entries on books of the Bureau of the Public Debt, Department of the Treasury.

2. The undersigned certifies that the total investment (1) consists only of the proceeds of obligations described in Section 10 of the Internal Revenue Code, and (2) is not more nor less, within authorized multiples ($1,000 minimum and increment: $100 over such amount), directly subject to yield restrictions under Section 103(c) of the Code, and the regulations issued thereunder, except for any portion thereof required for a payment due less than 45 days from the date settlement is made of the securities subscribed for.

3. The undersigned requests that book-entry accounts be established for:

   Name of owner: MUNICIPAL ASSISTANCE CORPORATION
   CITY OF NEW YORK

4. The undersigned:
   a. ☐ submits payment in full herewith for the above securities, as shown below.
   b. ☐ requests that issuance be deferred until 5/29/86 (not to exceed by more than 60 days the date which this subscription is received at a Federal Reserve Bank or Branch or, where mailed, the stamp date appearing on registered or certified mail envelope in which it is received), and agrees to make payment on that date.

5. The undersigned further certifies that the following official(s), by title(s), are authorized, subject to the provisions of the circular, to request redemption prior to maturity of the securities (if no one has been so authorized, enter &quot;None&quot;).

Signed:

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
(Principal State or Local Government Agency)

Authorized Signatory

(212) 775-0010

FOR USE BY BANK IN TRANSMITTING PAYMENT FOR ABOVE SECURITY

[Formal payment information]

Date: May 19, 1985

________________________________________
Deputy Treasurer

________________________________________
United States Trust Company

________________________________________
United States Trust Company

________________________________________
City of New York

________________________________________
State of New York

________________________________________
Vice President

ACCOUNT NO. 12

[Formal payment information]

Signature of Payee

Date of Payment

[Formal payment information]

Bank Account No.

[Formal payment information]

Authorized Signature

Date

[Formal payment information]
<table>
<thead>
<tr>
<th>Date</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Principal Amount (Assigned by EBC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-8-87</td>
<td>6.50%</td>
<td>1-9-87</td>
<td>1,821,700</td>
</tr>
<tr>
<td>2-29-87</td>
<td>6.50%</td>
<td>2-9-87</td>
<td>1,821,700</td>
</tr>
<tr>
<td>3-01-87</td>
<td>6.50%</td>
<td>3-9-87</td>
<td>1,821,700</td>
</tr>
<tr>
<td>4-01-87</td>
<td>6.50%</td>
<td>4-9-87</td>
<td>1,821,700</td>
</tr>
<tr>
<td>5-01-87</td>
<td>6.50%</td>
<td>5-9-87</td>
<td>1,821,700</td>
</tr>
</tbody>
</table>

The undersigned requests that payment of principal and interest at maturity be made from the account of the City of New York, New York 10005.

The undersigned requests that payment of principal and interest at maturity be made from the account of the City of New York, New York 10005.

Name and address of owner: United States Treasury Department, New York, New York 10005.
T Note

Purchase Price:  $25,470,616.93
Purchase Date:   May 29, 1986
Maturity Amount: $24,045,000
Maturity Date:   June 30, 1986
Coupon:          13%
TABLE III-A

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
(A PUBLIC BENEFIT CORPORATION OF THE STATE OF NEW YORK)
SERIES 28, 29, AND 30

ESCORROW CASH FLOW SCHEDULE

<table>
<thead>
<tr>
<th>PERIOD ENDING</th>
<th>SUGS(1) COUPON</th>
<th>PRINCIPAL</th>
<th>OPEN MARKETS(2) COUPON</th>
<th>PRINCIPAL</th>
<th>TOTAL INTEREST</th>
<th>TOTAL CASH FLOW</th>
<th>ESCROW FUND REQUIREMENT</th>
<th>DIFFERENCE</th>
<th>CUMULATIVE DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 1 1986</td>
<td>6.350</td>
<td>13,000</td>
<td>24,045,000</td>
<td>1,562,925.00</td>
<td>25,507,925.00</td>
<td>25,686,809.37</td>
<td>1,915.63</td>
<td>1,915.63</td>
<td></td>
</tr>
<tr>
<td>1 1 1987</td>
<td>6.490</td>
<td>16,233,990</td>
<td>8,900,690.56</td>
<td>25,234,526.56</td>
<td>25,524,850.00</td>
<td>-1,716.64</td>
<td>198.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 1 1988</td>
<td>6.630</td>
<td>3,336,200</td>
<td>8,453,191.51</td>
<td>11,789,391.51</td>
<td>11,789,391.51</td>
<td>-5.36</td>
<td>179.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 1 1989</td>
<td>6.930</td>
<td>3,266,600</td>
<td>7,784,179.89</td>
<td>11,069,776.89</td>
<td>11,859,815.62</td>
<td>-35.82</td>
<td>137.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 1 1989</td>
<td>7.000</td>
<td>16,759,800</td>
<td>7,670,992.11</td>
<td>24,430,792.11</td>
<td>24,430,792.11</td>
<td>-23.51</td>
<td>114.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 1 1990</td>
<td>7.020</td>
<td>3,209,200</td>
<td>7,064,359.11</td>
<td>16,293,548.62</td>
<td>16,293,548.62</td>
<td>59.49</td>
<td>172.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 1 1990</td>
<td>7.050</td>
<td>17,031,800</td>
<td>6,971,756.19</td>
<td>24,003,556.19</td>
<td>24,003,556.19</td>
<td>15.57</td>
<td>188.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 1 1991</td>
<td>7.100</td>
<td>3,146,100</td>
<td>6,371,385.24</td>
<td>9,517,485.24</td>
<td>9,517,485.24</td>
<td>-86.63</td>
<td>101.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 1 1991</td>
<td>7.140</td>
<td>175,341,700</td>
<td>6,259,698.69</td>
<td>181,601,398.69</td>
<td>181,601,398.69</td>
<td>26.82</td>
<td>128.68</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTALS: 256,063,200  24,845,000  80,168,468.05  366,876,688.05  366,876,559.37  128.68

(1) RESTRICTED ESCROW FUND YIELD 7.694991
(2) SEE GOVERNMENT SECURITIES TABLE
USE OF PROCEEDS CERTIFICATE

We, Paul L. Dickstein and Margaret Van D. Cook of the Office of Management and Budget of the City of New York (the "City") and the Office of the Comptroller of the City, respectively, HEREBY CERTIFY AND REPRESENT with respect to the use of proceeds of certain obligations of the City described in paragraph 2 herein which were issued to the Municipal Assistance Corporation For The City of New York (the "Corporation") in connection with the use of proceeds of certain series of bonds of the Corporation as described in paragraph 1 herein (the "Corporation's Bonds"), as follows:

1. The Corporation's Bonds are as follows:
   - $31,590,000 Series 28 Bonds
   - $138,020,000 Series 29 Bonds
   - $98,980,000 Series 30 Bonds

2. The City has reviewed the records of expenditures of the Office of Management and Budget and the Office of the Comptroller of the City (the "Records") relating to the use of proceeds of its bonds (the "City Bonds") purchased by the Corporation with proceeds of the Corporation's Bonds in the amounts and on the dates listed below:
   - $227,000,000 sold 10/27/31
   - $200,000,000 sold 5/16/33

3. Based upon the City's review of the Records:
   a. no portion of the proceeds of the City Bonds were used directly or indirectly to provide student loans or to fund pension liabilities;
   b. not greater than 5% of the proceeds of any issue of the City Bonds were used: (i) directly or indirectly to provide mortgages on owner-occupied
residences; or (ii) to make or finance loans to persons who are not exempt persons, or a combination thereof;

c. not more than 25% of the proceeds of any issue of City Bonds was used in the trade or business of a non-exempt person and also not more than 25% of the principal or interest on any such issue of City Bonds was (i) secured by any interest in property used in a trade or business, (ii) secured by any interest in payments in respect of property used in a trade or business or (iii) derived from payments in respect of property or borrowed money used or to be used in a trade or business; and

d. not more than 25% of the proceeds of any issue of City Bonds was used in the trade or business of persons other than governmental units under circumstances in which the City receives payment from persons other than governmental units for the use of the facility financed with such proceeds.

IN WITNESS WHEREOF, we have hereunto set our hands as of the 8th day of May 1986.

Paul L. Dickstein  
Director, Office of Management and Budget

Margaret Van D. Cook  
Deputy Comptroller for Finance  
Office of the City Comptroller
For Release at 10:00 a.m.
March 10, 1986.

JOINT STATEMENT BY THE HONORABLE DAN Rostenkowski (D., Ill.)
Chairman, Committee on Ways and Means,
THE HONORABLE BOB PASTORE (R., Ore.)
Chairman, Committee on Finance,
THE HONORABLE JOHN J. DUNCAN (R., Tex.)
Ranking Member, Committee on Ways and Means,
THE HONORABLE RUSSELL LONG (D., La.)
Ranking Member, Committee on Finance, and
THE HONORABLE JAMES A. BUCHANAN, III,
Secretary of the Treasury

ON THE EFFECTIVE DATES
OF PASSING TAX REFORM LEGISLATION

The following is a joint statement made by Chairman Dan Rostenkowski (D., Ill.), House Committee on Ways and Means, Chairman Bob Pastore (R., Ore.), Senate Committee on Finance, Rep. John J. Duncan, Ranking Member of the Committee on Ways and Means, Senator Russell Long, Ranking Member of the Committee on Finance, and Secretary of the Treasury James A. Baker, III with respect to the effective dates of certain provisions of the comprehensive tax reform legislation (H.R. 3038) being considered by the Congress:

As chairmen and ranking members of the tax-writing committees of the House and Senate and Secretary of the Treasury, we are sensitive to the uncertainty created by the pending comprehensive tax reform legislation (H.R. 3038). In undertaking tax reform, our intent is to provide greater equity in the tax system, a goal that will encourage greater confidence in our Government as a whole.

The uncertainty created by some effective dates contained in H.R. 3038, as passed by the House in December 1985, is to an extent the unavoidable result of the thoughtful, deliberative process, which is necessary if we are to achieve our ultimate goal. We have reviewed the effective dates of the major provisions of the pending tax reform legislation and have examined the consequences of any postponement of those dates.

The chief principle guiding us has been a balancing of revenue effect and possible rush to partake of tax-motivated transactions against any adverse effects created by the effective dates in H.R. 3038. At this time, we have determined that tax-exempt financing for State and local governments is an area where we support a selective postponement of effective dates. In taking
this action, we are making no commitment with respect to
what substantive rules ultimately may be enacted
governing tax-exempt bonds.

Many Members of Congress are concerned about
recent dramatic increases in the volume of tax-exempt
financings for private activities. It is not our
intent, however, to restrict the ability of States and
local governments to finance their direct governmental
operations or to force States to change their existing
practices governing financing of those operations while
tax reform legislation is pending.

Therefore, we are endorsing a postponement, until
September 1, 1986 (or the date of enactment of tax
reform legislation, if earlier) of any application of
the provisions and restrictions listed below to bonds
that under present law are not (i) industrial
development bonds, (ii) bonds that would be IDBs if
section 501(c)(3) organizations were nongrant persons
engaged in trades or businesses, (iii) student loan
bonds, (iv) mortgage subsidy bonds, or (v) other private
("consumer") loan bonds for which tax-exemption is
permitted. In addition, this action does not apply to
so-called pension bonds or to bonds which involve
payments by private parties for the use of bond-financed
property and which would be IDBs if such payments were
used to pay debt service.

The provisions and restrictions to which this
action applies are--

(1) The definition of nongrant function bond
and the new unified volume cap contained in
H.R. 3019;

(2) Any extension of arbitrage rebate
restrictions, and any other new arbitrage
restrictions, other than the method of
determining bond yield (i.e., the reversal of
the decision in State of Washington v.
Commissioner);

(3) Any new restrictions on early issuance of
tax-exempt bonds (i.e., provisions requiring
certain expenditures within certain periods);

(4) Any new restrictions on advance refunding of
bonds which were originally issued before
1936, other than a limitation on the temporary
period for refunding bond proceeds to 30 days
and the method of determining bond yield
(listed in item (2), above);
(5) Any extension of information reporting requirements to these bonds; and

(6) Any treatment of interest on these bonds as a minimum tax preference item under H.R. 3038 as passed by the House.

We believe that limiting our action to the bonds described and provisions listed above does not threaten a rush to market of tax-motivated transactions.

However, we are instructing our staffs to monitor the tax-exempt bond market as consideration of tax reform legislation continues, and to advise us of any indications of evidence of tax-motivated bond issuance.

We believe our action today is consistent with the goal of comprehensive tax reform and will enable the Congress better to act only after thorough consideration of the many issues presented by such reform.
Terms of Series 58 Bonds

Series 58 Serial Bonds

An aggregate of $92,095,000 of Series 58 Bonds will be sold at par, will mature serially and will bear interest as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$15,975,000</td>
<td>7.00%</td>
</tr>
<tr>
<td>1998</td>
<td>17,090,000</td>
<td>7.10</td>
</tr>
<tr>
<td>1999</td>
<td>18,310,000</td>
<td>7.30</td>
</tr>
<tr>
<td>2000</td>
<td>19,645,000</td>
<td>7.30</td>
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<tr>
<td>2001</td>
<td>21,075,000</td>
<td>7.30</td>
</tr>
</tbody>
</table>

Series 58 Term Bonds

An aggregate of $197,980,000 of the Series 58 Bonds will mature July 1, 2008, will bear interest at 7-3/8% and will be sold at 98% of par.

The Series 58 Term Bonds due July 1, 2008 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 respective principal amount of such Series 58 Bonds specified for each of the years shown below:
EXHIBIT E  
(Page 2 of 2)

Series 58 Bonds Due  
July 1, 2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$22,615,000</td>
</tr>
<tr>
<td>2003</td>
<td>24,285,000</td>
</tr>
<tr>
<td>2004</td>
<td>26,075,000</td>
</tr>
<tr>
<td>2005</td>
<td>28,000,000</td>
</tr>
<tr>
<td>2006</td>
<td>30,060,000</td>
</tr>
<tr>
<td>2007</td>
<td>32,285,000</td>
</tr>
<tr>
<td>2008</td>
<td>34,660,000*</td>
</tr>
</tbody>
</table>

*Payment at Maturity

Optional Redemption

The Series 58 Bonds maturing after July 1, 1996 are subject to redemption at the option of the Corporation on or after July 1, 1996, 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</th>
<th>Redemption Price (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1996 to December 31, 1997</td>
<td>102</td>
</tr>
<tr>
<td>January 1, 1998 to June 30, 1999</td>
<td>101-1/2</td>
</tr>
<tr>
<td>July 1, 1999 to December 31, 2000</td>
<td>101</td>
</tr>
<tr>
<td>January 1, 2001 to June 30, 2002</td>
<td>100-1/2</td>
</tr>
<tr>
<td>July 1, 2002 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>
### TABLE V

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

(A PUBLIC BENEFIT CORPORATION OF THE STATE OF NEW YORK)

**SERIES 98**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAR AMOUNT</td>
<td>$290,675,000</td>
</tr>
<tr>
<td>GROSS PRODUCTION</td>
<td>$285,765,495.50</td>
</tr>
<tr>
<td>SPREAD (1)</td>
<td>3,628,838.25</td>
</tr>
<tr>
<td>BID</td>
<td>282,137,657.35</td>
</tr>
<tr>
<td>ACCRUED INTEREST</td>
<td>1,652,144.28</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$283,789,801.63</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET INT COST</td>
<td>7.49452775</td>
</tr>
<tr>
<td>TRUE INT COST</td>
<td>7.61735129</td>
</tr>
<tr>
<td>TIC WITH ALLOWED COSTS</td>
<td>7.48366676</td>
</tr>
</tbody>
</table>

| DATED DATE                     | 5 1 1988     |
| DELIVERY DATE                  | 5 29 1988    |
| FIRST COUPON                   | 1 1 1987     |

**$92,085,000 SERIAL BONDS**

<table>
<thead>
<tr>
<th>Date</th>
<th>Principal (2)</th>
<th>Coupon</th>
<th>Yield</th>
<th>Price</th>
<th>Take-down</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 1 1997</td>
<td>15,975,000</td>
<td>7.000</td>
<td>7.000</td>
<td>100.000</td>
<td>12.50</td>
</tr>
<tr>
<td>7 1 1998</td>
<td>17,000,000</td>
<td>7.100</td>
<td>7.150</td>
<td>99.591</td>
<td>12.50</td>
</tr>
<tr>
<td>7 1 1999</td>
<td>18,310,000</td>
<td>7.300</td>
<td>7.360</td>
<td>100.000</td>
<td>12.50</td>
</tr>
<tr>
<td>7 1 2000</td>
<td>19,645,000</td>
<td>7.300</td>
<td>7.350</td>
<td>99.556</td>
<td>12.50</td>
</tr>
<tr>
<td>7 1 2001</td>
<td>21,075,000</td>
<td>7.300</td>
<td>7.460</td>
<td>99.090</td>
<td>12.50</td>
</tr>
<tr>
<td>7 1 2002</td>
<td>197,900,000</td>
<td>7.375</td>
<td>7.562</td>
<td>98.000</td>
<td>7.50</td>
</tr>
</tbody>
</table>

(1) AVERAGE TAKE-DOWN: 9.09
UNDERWRITING: 1.68
MANAGEMENT FEE: 1.75
EXPENSES: 0.67

GROSS SPREAD: 12.51

(2) AVG LIFE OF THE BOND ISSUE IS 17 YRS 6 MOS 0 DYS

AVG LIFE OF 2000 TERM BOND IS 19 YRS 5 MOS 12 DYS
### TABLE VI-B

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
*(A PUBLIC BENEFIT CORPORATION OF THE STATE OF NEW YORK)*  
**SERIES 98**

**ANNUAL DEBT SERVICE COMPARISON SCHEDULE**

<table>
<thead>
<tr>
<th>PERIOD ENDING</th>
<th>COUPON</th>
<th>PRINCIPAL</th>
<th>INTEREST</th>
<th>DEBT SERVICE</th>
<th>OUTSTANDING DEBT SERVICE</th>
<th>DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>24,792,164.17</td>
<td>23,129,819.89</td>
<td>36,628,793.75</td>
<td>35,481,631.25</td>
<td>34,297,061.25</td>
<td>13,065,226.25</td>
</tr>
<tr>
<td>1987</td>
<td>21,241,855.00</td>
<td>21,241,855.00</td>
<td>31,850,256.00</td>
<td>30,522,968.75</td>
<td>29,183,300.00</td>
<td>7,941,445.00</td>
</tr>
<tr>
<td>1988</td>
<td>21,241,855.00</td>
<td>21,241,855.00</td>
<td>29,183,300.00</td>
<td>27,811,812.50</td>
<td>6,569,957.50</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>15,975,000</td>
<td>21,241,855.00</td>
<td>24,956,875.00</td>
<td>23,468,025.00</td>
<td>21,947,518.75</td>
<td>15,772,696.25</td>
</tr>
<tr>
<td>1990</td>
<td>17,090,000</td>
<td>26,123,665.00</td>
<td>37,210,856.00</td>
<td>20,789,625.00</td>
<td>16,428,960.00</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>18,310,000</td>
<td>18,910,215.00</td>
<td>37,220,215.00</td>
<td>20,789,625.00</td>
<td>16,428,960.00</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>19,645,000</td>
<td>17,573,556.00</td>
<td>37,218,556.00</td>
<td>20,789,625.00</td>
<td>16,428,960.00</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>21,975,000</td>
<td>16,139,590.00</td>
<td>37,214,590.00</td>
<td>3,061,843.75</td>
<td>-34,132,656.25</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>22,615,000</td>
<td>14,691,025.00</td>
<td>37,216,025.00</td>
<td>2,974,937.50</td>
<td>-34,241,657.50</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>24,285,000</td>
<td>12,933,168.75</td>
<td>37,218,168.75</td>
<td>2,865,593.75</td>
<td>-34,352,576.00</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>26,975,000</td>
<td>11,142,150.00</td>
<td>37,217,150.00</td>
<td>2,753,281.25</td>
<td>-34,463,868.75</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>28,680,000</td>
<td>9,219,116.75</td>
<td>37,219,116.75</td>
<td>2,642,468.75</td>
<td>-34,576,650.00</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>30,960,000</td>
<td>7,154,118.75</td>
<td>37,214,118.75</td>
<td>2,527,093.75</td>
<td>-34,687,925.00</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>32,285,000</td>
<td>4,937,193.75</td>
<td>37,222,193.75</td>
<td>2,411,625.00</td>
<td>-34,810,568.75</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>34,660,000</td>
<td>2,556,175.00</td>
<td>37,216,175.00</td>
<td>-37,216,175.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>295,875,000</td>
<td>372,490,569.17</td>
<td>650,513,424.89</td>
<td>450,997,715.62</td>
<td>-291,515,709.26</td>
<td></td>
</tr>
</tbody>
</table>

**PRESENT VALUES AT 7.484% ARE**  
265,766,450.60  
293,863,492.35  
8,126,596.75

**PRESENT VALUES AT 7.617% ARE**  
292,137,657.35  
291,875,923.12  
9,736,265.77

---

(1) DEBT SERVICE ON REFUNDING BONDS IS NET OF ACCRUED INTEREST OF $1,652,144.28
## TABLE XI

### MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
(A PUBLIC BENEFIT CORPORATION OF THE STATE OF NEW YORK)
SERIES 58

#### PROOF OF YIELD - REFUNDING BONDS

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Cash Flow</th>
<th>Present Value Factor</th>
<th>Present Value Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 1987</td>
<td>14,161,236.67</td>
<td>0.95765098</td>
<td>13,581,587.69</td>
</tr>
<tr>
<td>7 1987</td>
<td>16,620,927.50</td>
<td>0.92311389</td>
<td>9,894,345.97</td>
</tr>
<tr>
<td>1 1988</td>
<td>16,620,927.50</td>
<td>0.89822047</td>
<td>9,456,718.66</td>
</tr>
<tr>
<td>7 1988</td>
<td>16,620,927.50</td>
<td>0.87377264</td>
<td>9,189,846.13</td>
</tr>
<tr>
<td>1 1989</td>
<td>16,620,927.50</td>
<td>0.85078922</td>
<td>8,781,258.33</td>
</tr>
<tr>
<td>7 1989</td>
<td>18,620,927.50</td>
<td>0.79696623</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1990</td>
<td>18,620,927.50</td>
<td>0.76622284</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>1 1991</td>
<td>18,620,927.50</td>
<td>0.74051426</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1991</td>
<td>18,620,927.50</td>
<td>0.71356607</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1992</td>
<td>18,620,927.50</td>
<td>0.68895925</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1993</td>
<td>18,620,927.50</td>
<td>0.66334204</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>1 1993</td>
<td>18,620,927.50</td>
<td>0.63831994</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1994</td>
<td>18,620,927.50</td>
<td>0.61629698</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1995</td>
<td>18,620,927.50</td>
<td>0.59433313</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1996</td>
<td>18,620,927.50</td>
<td>0.57260729</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1997</td>
<td>18,620,927.50</td>
<td>0.55195452</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1998</td>
<td>18,620,927.50</td>
<td>0.53294613</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 1999</td>
<td>18,620,927.50</td>
<td>0.51366606</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2000</td>
<td>18,620,927.50</td>
<td>0.49438515</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2001</td>
<td>18,620,927.50</td>
<td>0.47653743</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2002</td>
<td>18,620,927.50</td>
<td>0.45933984</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2003</td>
<td>18,620,927.50</td>
<td>0.44277217</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2004</td>
<td>18,620,927.50</td>
<td>0.42605208</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2005</td>
<td>18,620,927.50</td>
<td>0.41149800</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2006</td>
<td>18,620,927.50</td>
<td>0.39657200</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2007</td>
<td>18,620,927.50</td>
<td>0.38226554</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2008</td>
<td>18,620,927.50</td>
<td>0.36877682</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2009</td>
<td>18,620,927.50</td>
<td>0.35510741</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2010</td>
<td>18,620,927.50</td>
<td>0.34237636</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2011</td>
<td>18,620,927.50</td>
<td>0.33063728</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2012</td>
<td>18,620,927.50</td>
<td>0.31985381</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2013</td>
<td>18,620,927.50</td>
<td>0.30996959</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2014</td>
<td>18,620,927.50</td>
<td>0.29085932</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2015</td>
<td>18,620,927.50</td>
<td>0.27174278</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2016</td>
<td>18,620,927.50</td>
<td>0.25353069</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2017</td>
<td>18,620,927.50</td>
<td>0.23647446</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2018</td>
<td>18,620,927.50</td>
<td>0.22047156</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2019</td>
<td>18,620,927.50</td>
<td>0.20546337</td>
<td>8,464,541.82</td>
</tr>
<tr>
<td>7 2020</td>
<td>18,620,927.50</td>
<td>0.19135171</td>
<td>8,464,541.82</td>
</tr>
</tbody>
</table>

**Totals:** 662,505,563.17  297,418,620.83

(1) PRESENT VALUES ARE COMPUTED AT 7.45% ON JUL 1, 1986 TO 5.29, 1996
**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
(A PUBLIC BENEFIT CORPORATION OF THE STATE OF NEW YORK)  
SERIES 28-29, AND 30

**TABLE IV**

**USE OF BOND PROCEEDS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount of SLGS (1)</td>
<td>256,663,200.00</td>
</tr>
<tr>
<td>COST OF OPEN MARKET SECURITIES</td>
<td>25,470,616.93</td>
</tr>
<tr>
<td>Cost of Escrow Fund</td>
<td>282,133,816.93</td>
</tr>
<tr>
<td>Original Issue Discount</td>
<td>4,308,504.48</td>
</tr>
<tr>
<td>Financing Costs (2)</td>
<td>3,848.42</td>
</tr>
<tr>
<td>Underwriting Spread (3)</td>
<td>3,528,838.25</td>
</tr>
<tr>
<td>Principal Amount of Bonds</td>
<td>250,675,000.00</td>
</tr>
</tbody>
</table>

(1) YIELDING 7.694991 WITH AN ALLOWABLE YIELD OF 7.483007  
(2) APPROXIMATELY 0.001 PERCENT  
(3) ASSUMED TO BE 1.251 PERCENT
CERTIFICATE OF THE TREASURER OF THE
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

I, QUENTIN B. SPECTOR, Treasurer of the Municipal Assistance Corporation For The City of New York (the "Corporation"), HEREBY CERTIFY as follows:

1. That, after the issuance of the Corporation's Series 58 Bonds in the aggregate principal amount of $290,075,000, the Capital Reserve Fund Requirement (the "Requirement"), as defined in the Corporation's Second General Bond Resolution adopted November 25, 1975 (the "Resolution") and in Section 3036-a of the Act, as defined in the Resolution (the "Act"), will be approximately $780.8 million, which is the amount of principal and interest maturing or otherwise coming due in calendar year 1987 on all bonds issued and outstanding under the Resolution.

2. That, as of the date hereof, the Capital Reserve Fund established by Section 602 of the Second General Bond Resolution consists of monies and securities, valued in accordance with the Resolution and the Act, in an amount not less than $787.2 million.

3. That, after the issuance of the Series 58 Bonds, the Corporation will have issued approximately $9,445 billion aggregate principal amount of bonds and notes, excluding bonds and notes issued to refund outstanding bonds and notes.

IN WITNESS WHEREOF, I have hereunto set my hand the 29th day of May 1986.

[Signature]
Quentin B. Spector
Treasurer
TRUSTEE'S ACCEPTANCE AND CERTIFICATE OF AUTHORITY

United States Trust Company of New York (the Trust Company), as Trustee (the Trustee) appointed by Municipal Assistance Corporation For The City of New York (the Corporation), a public benefit corporation of the State of New York, under and pursuant to the Second General Bond Resolution adopted November 25, 1975, as amended and supplemented, and the Series 58 Resolution adopted by the Corporation on May 3, 1986, (collectively, the Resolutions), authorizing the issuance of the Corporation's Series 58 Bonds (the Bonds) in the aggregate principal amount of $290,075,000, HEREBY CERTIFIES that:

1. The Trust Company accepts the duties and obligations of the Trustee under the Resolutions.

2. The Trust Company is duly empowered by the laws of the State of New York to do and to perform all acts and things required of it by the Resolutions.

3. Pursuant to the provisions of the Resolutions and the order of the Corporation dated today, the Trust Company has today authenticated and delivered $290,075,000 principal amount of the Bonds.

4. Each person who authenticated the Bonds was duly elected or appointed, qualified and acting as an authorized officer of the Trust Company and empowered to perform such act, and the attached copy of the Executive Order Pursuant to Article VII of the By-Laws Authorizing Corporate Trust and Agency Division Signing Authorities of the Trust Company conferring such authority is a true and correct copy of the original thereof on file in the principal office of the Trust Company and such document as of the date hereof is in full force and effect in accordance with its terms.

5. The Trust Company has received from the Corporation copies of the Resolutions, certified to this day by an Authorized Officer of the Corporation, as required by Section 202.2(3) of the Second General Bond Resolution.
IN WITNESS WHEREOF, the Trust Company has caused this Certificate to be executed by the officers thereunto duly authorized this 29th day of May, 1986.

UNITED STATES TRUST COMPANY
OF NEW YORK

By [Signature]
Vice President

(CORPORATE SEAL)

Attest:

[Signature]
Assistant Secretary

5.15.86.
The following is a true copy of Article VII of the By-Laws of United States Trust Company of New York:

"Real property owned by the Trust Company in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board.

Subject to the exceptions provided in the preceding and following paragraphs, all checks, orders, contracts, leases, notes, drafts and other documents and instruments in connection with the business of the Trust Company may be signed by any Executive Officer of the Trust Company or by such other officer, employee or agent thereunto authorized by resolution of the Board, or in writing by the Chief Executive Officer, or by an officer or officers designated by him subject to such restrictions as the Chief Executive Officer shall prescribe.

Notwithstanding the foregoing, the Auditor shall have no power to sign checks, vouchers, agreements or other documents or instruments on behalf of the Trust Company, except that the Auditor is authorized to certify in the name of, or on behalf of, the Trust Company, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification and to sign in the name of, or on behalf of, the Trust Company reports and responses to any regulatory authority."
Any officer of such Division shall have authority to authenticate, execute, countersign, or certify on behalf of the Trust Company bonds, debentures, and other evidences of indebtedness, coupons, certificates, warrants, and proxies with respect to which the Trust Company is trustee, registrar, depositary, transfer agent, fiscal agent, or other agent, as the case may be, and to certify as to the incumbency and specimen signature of any of the officers of the Corporate Trust and Agency Division. The Chairman of the Board or the President or a Vice Chairman or an Executive Vice President of the Trust Company, or such Senior Vice Presidents of the Trust Company as may be authorized by the Chief Executive Officer, may, from time to time, designate employees who shall be authorized, for and under the supervision of an officer of the Corporate Trust and Agency Division and subject in each case to such conditions or limitations as the Chief Executive Officer may prescribe, to authenticate, execute, countersign, or certify such bonds, debentures, other evidences of indebtedness, coupons, certificates, or warrants and proxies, using the title "Authorized Officer" or "Authorized Signature." The Chairman of the Board or the President or a Vice Chairman or an Executive Vice President of the Trust Company, or such Senior Vice Presidents of the Trust Company as may be authorized by the Chief Executive Officer, may also, from time to time, designate employees who shall be authorized, for and under the supervision of an officer of the Corporate Trust and Agency Division, and subject in each case to such conditions or limitations as the Chief Executive Officer may prescribe, to sign advices, receipts, and other documents in connection with the transfer, receipt, delivery, subscription, redemption or exchange of securities, guarantee signatures upon sale, transfer or assignment of stocks and bonds, and erasures in connection therewith, using the title "Authorized Officer" or "Authorized Signature."

[Signature]

Chief Executive Officer
United States Trust Company
of New York

Dated: January 1, 1981
May 29, 1986

Salomon Brothers Inc  
Goldman, Sachs & Co.  
Merrill Lynch Capital Markets  
Citibank, N.A.  
Manufacturers Hanover Trust Company  
Morgan Guaranty Trust Company of New York  
Bear, Stearns & Co. Inc.  
L. F. Rothschild, Unterberg, Towbin, Inc.  
Shearson Lehman Brothers Inc.

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

Dear Sirs:

We have been requested by our client, Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation (the “Corporation”), to furnish you our opinion as to the matters herein set forth in connection with the execution of a bond purchase agreement, dated May 8, 1986 (the “Agreement”), by and among the Corporation and each of you as purchasers, and the sale by the Corporation to you thereunder of $290,075,000 aggregate principal amount of the Corporation’s Series 58 Bonds (the “Bonds”).

In this connection, we have examined the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, each as further amended (the “Act”),
the final Official Statement of the Corporation, dated May 8, 1986, with respect to the Bonds, as amended or supplemented to the date hereof (the "final Official Statement"), the By-laws of the Corporation, records of its corporate proceedings, including the Second General Bond Resolution and the Series 58 Resolution, adopted by the Board of Directors of the Corporation on November 25, 1975 and on May 8, 1986, respectively (the "Resolutions"), and the Agreement and the exhibits attached thereto, and have made such further examination of law and fact as we considered necessary in order to form the opinions herein expressed.

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

1. The Corporation is a corporate governmental agency and instrumentality of the State of New York (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, to adopt the Resolutions and to issue the Bonds thereunder.

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

3. The execution and delivery of, and the performance of the obligations under the Agreement and the issuance of the Bonds have been duly authorized by proper corporate proceedings of the Corporation. The Agreement constitutes the legal, valid and binding agreement of the Corporation enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, moratorium 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 binding upon the Corporation and enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of the holders of the Bonds, and no other authorization for, or filing or recording of, the Resolutions is required. Anything in this opinion to the contrary notwithstanding, we express no opinion with respect to the 1978 State Covenant as that term is defined in the final Official Statement.

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

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

6. Except as set forth in the final Official Statement, to the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public board or body pending or threatened against the Corporation wherein an unfavorable decision, ruling or finding would in any material respect adversely affect the transactions contemplated by the Agreement or which in any way would adversely affect provisions for the payment of principal or interest on the Bonds or the validity of the Bonds, the Resolutions, the Agreement, or any agreement or instrument to which the Corporation is a party which is used or contemplated for use in connection with consummation of the transactions contemplated by the Agreement.
7. The offering and sale of the Bonds by the Corporation to you, and the resale of the Bonds by you as contemplated by the Agreement and the final Official Statement, are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) of such Act and there is no requirement for the qualification of the Resolutions or any indenture with respect to the Bonds pursuant to the Trust Indenture Act of 1939, as amended. The Bonds constitute "municipal securities" as such term is defined in the Securities Exchange Act of 1934, as amended.

8. In the course of the preparation by the Corporation of the final Official Statement, we participated in numerous conferences and conversations with certain of the Corporation’s officials and also consulted on numerous occasions with representatives of certain of you. In this connection, with your concurrence, we did not undertake any independent examination or review of, or otherwise attempt to make any independent verification of, (i) any records or proceedings of, or any factual matters relating to or otherwise involving, the Corporation, the State of New York or any authority, agency or political subdivision thereof or therein, or (ii) any other factual matters contained in the final Official Statement. Accordingly, except with respect to the statements and summaries referred to in paragraph 9 hereof, we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the final Official Statement; it being understood that you are relying on the preparation of the final Official Statement by the Corporation, and certifications of various officials as to the accuracy, completeness and fairness of the statements contained therein. Further, we are not in a position to provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the final Official Statement. Subject to the foregoing limitations with respect to our engagement, no information was disclosed to us in connection with the preparation of the final Official Statement or in our conferences or conversations referred to above which has caused us to believe that the final Official Statement, as of the date thereof, and as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. The statements set forth in the final Official Statement under the headings “Debt Issuance Plan”, “Certain Developments Affecting the City—Federal Bankruptcy Legislation”, “Various Control Programs” and “Litigation” are in all material respects accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

All opinions rendered herein relating to the enforceability of the Corporation’s obligations under the Resolutions, the Agreement or the Bonds are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
UNITED STATES TRUST COMPANY
OF NEW YORK
45 Wall Street
New York, NY 10005

Gentlemen:

We have delivered to Salomon Brothers Inc and certain other representatives of the Underwriters an opinion dated the date hereof, with respect to the issuance of $290,075,000 aggregate principal amount of the Series 58 Bonds of the Municipal Assistance Corporation For The City of New York, a copy of which is attached hereto. You are entitled to rely on such opinion as if the same were addressed to you.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

Attachment
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 $290,075,000 aggregate principal amount of Series 58 Bonds (the "Series 58 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 Series 58 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 amended and supplemented to the date hereof (the "Second General Bond Resolution") and the Series 58 Resolution, adopted May 8, 1986 (the "Series Resolution"). The Second General Bond Resolution and the Series Resolution are herein collectively called the "Resolutions".

The Series 58 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 Series 58 Bonds are being issued for purposes set forth in the Series Resolution.

The Corporation is authorized to issue Bonds, in addition to the Series 58 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the Series 58 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 Series 58 Bonds are dated May 1, 1986 except as otherwise provided in the Resolutions with respect to Series 58 Bonds delivered on or after the first interest payment date, will mature on July 1 in each of the years and will bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 1987, at the respective rates per annum shown below:
<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
<th>Year</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$15,975,000</td>
<td>7%</td>
<td>2000</td>
<td>$19,645,000</td>
<td>7.30%</td>
</tr>
<tr>
<td>1998</td>
<td>17,090,000</td>
<td>7.10</td>
<td>2001</td>
<td>21,075,000</td>
<td>7.30</td>
</tr>
<tr>
<td>1999</td>
<td>18,310,000</td>
<td>7.30</td>
<td>2008</td>
<td>197,980,000</td>
<td>7 1/2%</td>
</tr>
</tbody>
</table>

The Series 58 Bonds are issued only in fully registered form in the denomination of $5,000 or an integral multiple thereof. Series 58 Bonds are lettered and numbered 58R- - followed by the last two digits of the year of maturity and the number of the Series 58 Bond. Series 58 Bonds are numbered consecutively from one upward in order of issuance.

The Series 58 Bonds maturing on July 1, 2008 are subject to redemption, commencing on July 1, 2002, and on each July 1 thereafter prior to maturity, 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 in the amounts set forth in the Series Resolution, at the redemption price of 100% of the principal amount of each Series 58 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

In addition, the Series 58 Bonds are subject to redemption at the election of the Corporation on and after July 1, 1996, 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 1974 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 Series 58 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”), and 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 Series 58 Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 58 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 Series 58 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 Series 58 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 Series 58 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 as aforesaid, 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 the 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 Series 58 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 Series 58 Bonds be payable out of any funds other than those of the Corporation.

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

(a) to provide for the appropriation of, and 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 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 hereinafore 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 Code 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. Interest on the Series 58 Bonds is exempt from (i) Federal income taxes under the existing statutes, and (ii) personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 58 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for estate or gift taxes and taxes on transfers.

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 Series 58 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the Series 58 Bonds, and the execution and delivery of the Series 58 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 Series 58 Bond numbered 58R-08-1 and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

[Signature]
May 29, 1986

Salomon Brothers Inc
Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Citicorp Investment Bank
(Citibank, N.A.)
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
Bear, Stearns & Co. Inc.
L.F. Rothschild, Unterberg, Towbin, Inc.
Shearson Lehman Brothers Inc.

As representatives of the several underwriters named in Schedule I to the Bond Purchase Agreement dated May 8, 1986 with the Municipal Assistance Corporation For The City of New York

c/o Salomon Brothers Inc
New York, New York

United States Trust Company of New York, as Trustee
New York, 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 the Corporation an opinion dated the date hereof with respect to the issuance of the Series 58 Bonds of the Corporation, an opinion dated the date hereof with respect to the Tax Reform Act of 1985, and an opinion of even date herewith as to the validity of the New York State Financial Emergency Act For the City of New York and a certain covenant of the State of New York. You are entitled to rely on said opinions as if the same were addressed to you.

Very truly yours,

[Signature]
May 29, 1986

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

Dear Sirs:

We have delivered on this date our approving legal opinion relating to the issuance of $290,075,000 aggregate principal amount of Series 58 Bonds (the "Series 58 Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"). We wish to advise you that on December 17, 1985, the United States House of Representatives passed the Tax Reform Act of 1985 ("H.R. 3838") which contains provisions that would, if enacted into law, impose additional requirements as a condition to the exemption from Federal income taxation of interest on state and local governmental obligations issued after December 31, 1985, and which adds as a preference item to be included in calculating alternative minimum taxable income, interest on certain tax-exempt obligations issued after December 31, 1985. These proposed legislative changes are referred to below as the "Proposed Changes".

On March 14, 1986, a joint statement was made by Dan Rostenkowski, Chairman of the House Committee on Ways and Means, Bob Packwood, Chairman of the Senate Committee on Finance, John J. Duncan, Ranking Member of the House Committee on Ways and Means, Russell Long, Ranking Member of the Senate Committee on Finance, and Secretary of the Treasury, James A. Baker, III (the "Joint Statement"). The Joint Statement endorses the postponement, until the earlier of September 1, 1986 or the date of enactment of tax reform legislation, of the effective date of all the Proposed Changes that could have a material adverse impact on the issuance of "governmental bonds", other than certain limitations with which the Corporation can and will comply regarding temporary periods and the calculation of yield. As used herein, the term "governmental bonds" refers to obligations issued by state and local governmental units for public and governmental purposes, and specifically excludes industrial development bonds; obligations that would be
industrial development bonds if organizations described in Section 501(c)(3) of the Code were non-exempt persons engaged in trades or business; student loan bonds; mortgage subsidy bonds; private or consumer loan bonds; pension bonds; or certain bonds which involve payments by private persons in connection with the use of the bond-financed property.

In our opinion, the Series 58 Bonds are within the scope of the Joint Statement and, accordingly, if H.R. 3838 were to be enacted in its present form, with effective date provisions conforming to the description of such provisions contained in the Joint Statement, interest on the Series 58 Bonds would be exempt from Federal income taxation.

In addition, H.R. 3838 provides that for taxable years beginning in 1988, property and casualty insurance companies may be subject to an alternate method of taxation that is to include, among other items, interest on obligations such as the Series 58 Bonds in the relevant income computation. The Joint Statement does not purport to modify, or to extend the effective date with respect to, this provision.

On May 6, 1986, the Committee on Finance of the United States Senate ordered favorably reported a substitute version of H.R. 3838 (the "Senate Finance Committee Proposal"). On May 12, 1986 the Joint Committee on Taxation released a report entitled "Summary of Tax Reform Provisions in H.R. 3838 as Ordered Reported by the Senate Committee on Finance" (the "Joint Committee Summary"). The Joint Committee Summary specifies that an alternative minimum tax would be imposed on corporations at a 20-percent rate and that one-half of reported profits of a corporation not otherwise included in the minimum tax base would be a preference item in the calculation of the alternative minimum tax. The term "reported profits" may be defined to include interest income derived from obligations of states and political subdivisions thereof otherwise exempt from Federal income taxation.

There can be no assurance that the Joint Statement will not be amended or revised, or that H.R. 3838 or the Senate Finance Committee Proposal will not be amended prior to enactment or that additional legislation will not be introduced and enacted after the issuance of the Series 58 Bonds, so as to cause interest on the Series 58 Bonds to be subject to Federal income taxation or to place additional requirements as a condition to such exemption.

Very truly yours,

[Signature]
May 29, 1986

Salomon Brothers Inc
Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Citicorp Investment Bank
Citibank, N.A.
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
Bear, Stearns & Co. Inc.
L. F. Rothschild, Unterberg, Towbin, Inc.
Shearson Lehman Brothers Inc.

As representatives of the several Underwriters
named in Schedule I to the Bond Purchase
Agreement dated May 8, 1986 with the
Municipal Assistance Corporation For The City
of New York.

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

Gentlemen:

We are Bond Counsel to the Municipal Assistance Corporation For The City of New York (the
"Corporation") and are this day rendering our final approving opinion (the "Opinion") relating to the
authorization and issuance of the Corporation's Series 58 Bonds (the "Bonds"), dated May 1, 1986 and
authorized by the Second General Bond Resolution, adopted by the Corporation on November 25, 1975, as
Resolution and the Series 58 Resolution are hereinafter collectively referred to as the "Resolutions". The
Opinion is being rendered in connection with the delivery of the Bonds to Salomon Brothers Inc on behalf of
the Underwriters named in Schedule I to the Bond Purchase Agreement for the Bonds (the "Bond Purchase
Agreement") by and among you, as representatives of said Underwriters and the Corporation.

In connection with the rendering of the Opinion, we have reviewed records of the acts taken by the
Corporation in connection with the authorization, sale and issuance of the Bonds, including a record of
proceedings of the Corporation relating to the authorization, execution and delivery of the Bond Purchase
Agreement, were present at various meetings in connection therewith and have participated with others in
the preparation of various parts of the Official Statement dated May 8, 1986 with respect to the Bonds (the
"Official Statement").

In connection with the sale of the Bonds, at the request of the Corporation, we participated and assisted
as Bond Counsel in the preparation of the Official Statement and have reviewed the information and
representations contained therein. Rendering such assistance involved, among other things, discussions and
inquiries concerning various and related subjects, and reviews of and reports on certain documents and
proceedings. We also participated in conferences with officers, agents and employees of the Corporation,
Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel for the Corporation, you and your counsel,
White & Case, at which the contents of the Official Statement and related matters were discussed and revised.
The statements set forth in the Official Statement under the headings PAYMENT OF THE BONDS (other than the statistical and financial information under the headings "Per Capita Aid", "Sales Tax", "Quarterly Collections of Sales and Compensating Use Taxes in the City" and "Quarterly Collections of Stock Transfer Tax"), DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS (other than the statistical and financial information set forth therein), BONDS BEING OFFERED, AGREEMENT OF THE STATE OF NEW YORK and SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION are accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

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

We are further of the opinion that the Bond Purchase Agreement has been duly authorized, executed and delivered by, and constitutes a binding agreement of, the Corporation, enforceable in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally.

We are further of the opinion that the Series 58 Resolution has been duly and lawfully adopted by the Corporation and is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally.

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

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

Very truly yours,

[Signature]
May 29, 1986

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

Gentlemen:

We have reviewed the accompanying arbitrage certificate of Mr. Quentin B. Spector, Deputy Executive Director and Treasurer of the Municipal Assistance Corporation For The City of New York (herein called the "Corporation") relating to the reasonable expectation as of the date of issuance of the Corporation's Series 58 Bonds, dated May 1, 1986 (herein called the "Bonds"), that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended to the date hereof (the "Code").

Based upon our examination of law and review of such certification, it is our opinion that the facts, estimates and circumstances set forth in such certification are sufficient to satisfy the criteria which are necessary under said Section 103(c) and Sections 1.103-13, 1.103-14 and 1.103-15 of the regulations thereunder to support the conclusion that the Bonds will not be "arbitrage bonds" within the meaning of said Section of the Code. No matters have come to our attention which, in our opinion, make unreasonable or incorrect the representations made in such certification.

Very truly yours,

[Signature]
May 29, 1986

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

Gentlemen:

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 reserve police power.

Very truly yours,

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

May 29, 1986

Dear Sirs:

The Corporation now has outstanding an aggregate principal amount of $29,780,000 Series 28 Bonds issued pursuant to the Second General Bond Resolution of the Corporation adopted on November 25, 1975, as amended and supplemented to the date hereof (the "Second General Bond Resolution") and a Series Resolution adopted on January 21, 1981 and $119,075,000 Series 29 Bonds and $85,390,000 Series 30 Bonds issued pursuant to the Second General Bond Resolution and Series Resolutions adopted on June 2, 1981 (collectively, the "Refunded Bonds"). In accordance with the provisions of Section 203 and Article XIV of the Second General Bond Resolution, respectively, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York (the "Trustee", as such term is defined in the Second General Bond Resolution), the principal of and interest on which, when due, will provide monies sufficient to pay, when due, the principal or redemption price of and interest until the maturity or earlier redemption date of the Refunded Bonds.

The Corporation has directed the Trustee to redeem through sinking fund installments, by lot, at a redemption price of 100% of the principal amount of each Refunded Bond so redeemed, on July 1 of each of the following years, the following aggregate principal amounts of Refunded Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Series 28 Bonds</th>
<th>Series 29 Bonds</th>
<th>Series 30 Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$935,000</td>
<td>$6,675,000</td>
<td>$4,785,000</td>
</tr>
<tr>
<td>1987</td>
<td>955,000</td>
<td>6,855,000</td>
<td>4,915,000</td>
</tr>
<tr>
<td>1988</td>
<td>970,000</td>
<td>7,035,000</td>
<td>5,045,000</td>
</tr>
<tr>
<td>1989</td>
<td>990,000</td>
<td>7,215,000</td>
<td>5,175,000</td>
</tr>
<tr>
<td>1990</td>
<td>1,010,000</td>
<td>7,395,000</td>
<td>5,305,000</td>
</tr>
<tr>
<td>1991</td>
<td>1,030,000</td>
<td>7,580,000</td>
<td>5,435,000</td>
</tr>
</tbody>
</table>

The Corporation has also directed the Trustee to redeem on July 1, 1991 at a redemption price of 102% the balance of the $23,890,000 principal amount of the Series 28 Bonds, $76,320,000 principal amount of Series 29 Bonds and $54,730,000 principal amount of the Series 30 Bonds.

Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the Refunded Bonds in accordance with the provisions of such Section 203 and Article XIV of the Second General Bond Resolution.

Very truly yours,

[Signature]
United States Trust Company  
of New York, as Trustee  
New York, 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 the Corporation an opinion dated the date hereof with respect to the payment of the Corporation's Series 28, 29 and 30 Bonds. You are entitled to rely on said opinion as if the same were addressed to you.

Very truly yours,

[Signature]
Municipal Assistance Corporation
For The City of New York
Suite 8901
One World Trade Center
New York, New York 10048

Re: United States Trust Company of New York - Municipal Assistance Corporation For The City of New York - Series 58 Bonds

Mesdames and Gentlemen:

Our client, United States Trust Company of New York, has requested that we furnish you with our opinion as to its authority to act as Trustee (the Trustee) pursuant to its appointment by Municipal Assistance Corporation For The City of New York (the Corporation) in the Second General Bond Resolution adopted by the Corporation on November 25, 1975, as amended and supplemented, and as to its due authentication and delivery of the Corporation's Series 58 Bonds issued today in the aggregate principal amount of $290,075,000 (the Bonds) pursuant to the Second General Bond Resolution and the Series 58 Resolution adopted by the Corporation on May 8, 1986 (collectively, the Resolutions), and being sold today pursuant to the Bond Purchase Agreement dated May 8, 1986 and the Official Statement dated May 8, 1986 of the Corporation.
Municipal Assistance Corporation
For The City of New York

We have examined the Resolutions, the certificate
dated today of the Trustee as to the due authentication and
delivery of the Bonds, and such other documents as we have
deemed necessary in order to render our opinions hereinafter
expressed.

Based upon the foregoing we are of the opinion that:

1. United States Trust Company of New York is a
duly organized and validly existing corporation having the
powers of a trust company under the laws of the State of New
York and is authorized to act as Trustee under the Resolutions
and to exercise all of the rights, powers and obligations of
the Trustee.

2. The Trustee has duly authenticated and delivered
the Bonds.

Very truly yours,

[Signature]

RRG: wpc

5.15.86

cc: Mr. Pat V. Santivasci
May 29, 1986

Salomon Brothers Inc
Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Citicorp Investment Bank
(Citibank, N.A.)
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
Bear, Stearns & Co. Inc.
L.F. Rothschild, Unterberg, Towbin, Inc.
Shearson Lehman Brothers Inc.
As Representatives of the Underwriters
c/o Salomon Brothers Inc
One New York Plaza
New York, New York 10004

Re: United States Trust Company of New York - Municipal Assistance Corporation For The City of New York - Series 58 Bonds

Mesdames and Gentlemen:

We have acted as counsel to United States Trust Company of New York, as Trustee, in connection with the issuance today by Municipal Assistance Corporation For The City of New York (the Corporation) of its Series 58 Bonds in the aggregate principal amount of $290,075,000.
We are delivering to you herewith our opinion dated today rendered to the Corporation. You are authorized to rely upon this opinion as fully and to the same extent as if it had been addressed to you.

Very truly yours,

Carter, Ledyard & Milburn

RRG:wpc
Enclosure

5.15.86

cc: Mr. Pat V. Santivasci
May 29, 1986

Dear Sirs:

We have acted as counsel for you and the other Underwriters named in Schedule I to the Bond Purchase Agreement dated May 8, 1986 (the "Bond Purchase Agreement") between you and the Municipal Assistance Corporation For The City of New York (the "Corporation"), under which you and such other Underwriters jointly and severally agree to purchase from the Corporation $290,075,000 aggregate principal amount of its Series 58 Bonds (the "Bonds") issued pursuant to the Second General Bond Resolution and the Series 58 Resolution, adopted by the Board of Directors of the Corporation on November 25, 1975 and May 8, 1986, respectively (the "Resolutions"). Pursuant to the Resolutions, the Corporation has designated United States Trust Company of New York as trustee (the "Trustee").

In connection with the offering of the Bonds, the Corporation has prepared and authorized the distribution of an official statement dated May 8, 1986 (the "Official Statement").

In acting as your counsel, we have participated in the preparation of the Official Statement and have examined
the originals, or copies thereof certified to our satisfaction, of such corporate records of the Corporation, certificates of public officials, certificates of officers of the Corporation and such other documents, records and papers as we have deemed necessary or appropriate in order to give the opinions expressed herein. We have relied upon such certificates of officers of the Corporation and other certifications with respect to the accuracy of material factual matters contained therein which were not independently established. In addition, we have, with your approval, assumed that the Bonds have been duly executed on behalf of the Corporation and duly authenticated by the Trustee, and that the signatures on all documents and instruments examined by us are genuine, which assumptions we have not independently verified.

Based upon the foregoing, it is our 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.

5. The offering and sale of the Bonds by the Corporation, and the resale of the Bonds by you as contemplated by the Bond Purchase Agreement and the Official Statement, do not require registration 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 "municipal securities" within the meaning of the Securities Exchange Act of 1934, as amended.

In the course of the preparation by the Corporation of the Official Statement, we and representatives of the Underwriters participated in numerous conferences and conversations with general counsel and bond counsel for the Corporation and with certain officers and representatives of the
Corporation, and we also consulted on numerous occasions with representatives of certain of the Underwriters. We are not passing upon the accuracy, completeness or fairness of the information contained in the Official Statement. In this connection, with your concurrence, we did not undertake any independent examination or review of, or otherwise attempt to make any independent verification of, (i) any records of proceedings of, or any factual matters relating to or otherwise involving, the Corporation, the State or any authority, agency or political subdivision thereof or therein, or (ii) any other factual matters contained in the Official Statement. It is our understanding that you are relying upon the preparation of the Official Statement by the Corporation and certifications of various officers and officials of the Corporation, the State and The City of New York as to the accuracy, completeness and fairness of the statements contained therein. Further, we are not in a position to provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the Official Statement. Subject to the foregoing limitations with respect to our engagement, no information was disclosed to us in connection with the preparation of the Official Statement or in our conferences or conversations referred to above which has caused us to believe that the Official Statement, as of the date thereof, contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

While we have not independently passed upon the validity of the Bonds, we hereby confirm that all proceedings of the Corporation and related matters, including the opinion addressed to you of Paul, Weiss, Rifkind, Wharton & Garrison, general counsel for the Corporation, and the opinions of Hawkins, Delafield & Wood, bond counsel for the Corporation, each of even date herewith and delivered to you today, are satisfactory in form and substance to us and we believe that you are justified in relying thereon.

Very truly yours,

White & Caso
May 29, 1986

Dear Sirs:

Reference is made to our opinion to you of even date herewith with respect to the Series 58 Bonds of the Municipal Assistance Corporation For The City of New York. We hereby confirm to you that, while we have not participated in conferences or conversations regarding the accuracy, completeness or fairness of the information contained in the Official Statement referred to in such opinion with those involved in its preparation or otherwise undertaken any investigation with respect to the information contained in such Official Statement subsequent to its date, nothing has come to our attention which has caused us to believe that such Official Statement, as of this date, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

[Signature]

[Address]

Salomon Brothers Inc
Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Citicorp Investment Bank
Citibank, N.A.
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
Bear, Stearns & Co. Inc.
L.F. Rothschild, Unterberg, Towbin, Inc.
Shearsen Lehman Brothers Inc.

As Representatives of the Underwriters
C/o Salomon Brothers Inc
One New York Plaza
New York, New York 10004
**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**
 SERIES 58 BONDS

BLUE SKY MEMORANDUM

May 5, 1986

Salomon Brothers Inc
 Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Citicorp Investment Bank
Citibank, N.A.
Manufacturers Hanover Trust Company
Morgan Guaranty Trust Company of New York
Bear, Stearns & Co. Inc.
L.F. Rothschild, Unterberg, Towbin, Inc.
Shearson Lehman Brothers Inc.
As Representatives of the Underwriters

C/o Salomon Brothers Inc
One New York Plaza
New York, New York 10004

Dear Sirs:

In connection with the proposed offering of $288,870,000* aggregate principal amount of the Series 58 Bonds (hereinafter referred to as the “Bonds”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”), we have prepared the accompanying Preliminary Blue Sky Survey relating to the provisions of the securities or Blue Sky laws of the jurisdictions enumerated therein. The Survey is based upon an examination of such laws as reported in the latest unofficial compilations available to us and upon financial and other information furnished by officers of the Corporation or contained in the Preliminary Official Statement dated May 5, 1986. The Survey covers (i) offers of and solicitations of offers to purchase the Bonds (“offers”), made orally

* Subject to change.
or by means of the Preliminary Official Statement before issuance of the Official Statement in final form; and (ii) sales or contracts of sale of the Bonds ("sales") after issuance of the Official Statement in final form.

The Survey is based upon the opinion of Bond Counsel that the Corporation is a corporate governmental agency and instrumentality of the State of New York and upon the assumptions that the offers and sales will be made in accordance with the applicable statements contained in the Official Statement and at a price not in excess of the initial public offering price specified therein and that the necessary banking authority approvals have been obtained.

The Survey also is subject to the following qualifications:

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

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

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

Very truly yours,

WHITE & CASE
$288,870,000*

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
SERIES 58 BONDS

PART I

Offers and Sales to the Public by Banks and Registered Dealers

Banks, without registration as brokers or dealers except as indicated below, and dealers, registered or licensed in the jurisdictions listed below, may offer the Bonds to the public before the Official Statement in final form is issued and may sell the Bonds to the public after it is issued, without registration of the Bonds or other filings being made in the following jurisdictions:

<table>
<thead>
<tr>
<th>Alabama</th>
<th>Kentucky</th>
<th>Ohio(7)(8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>Louisiana(6)</td>
<td>Oklahoma</td>
</tr>
<tr>
<td>Arizona(1)</td>
<td>Maine</td>
<td>Oregon</td>
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<tr>
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<tr>
<td>Colorado(2)</td>
<td>Michigan</td>
<td>Rhode Island(4)</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Minnesota</td>
<td>South Carolina</td>
</tr>
<tr>
<td>Delaware</td>
<td>Mississippi</td>
<td>South Dakota(4)</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>Missouri</td>
<td>Tennessee</td>
</tr>
<tr>
<td>Florida (3)</td>
<td>Montana</td>
<td>Texas(4)</td>
</tr>
<tr>
<td>Georgia</td>
<td>Nebraska</td>
<td>Utah</td>
</tr>
<tr>
<td>Guam</td>
<td>Nevada</td>
<td>Vermont(4)</td>
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<tr>
<td>Hawaii (4)</td>
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<td>Virginia</td>
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<td>Washington</td>
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<tr>
<td>Illinois (5)</td>
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<td>West Virginia</td>
</tr>
<tr>
<td>Indiana</td>
<td>New York</td>
<td>Wisconsin(9)</td>
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<tr>
<td>Iowa</td>
<td>North Carolina</td>
<td>Wyoming</td>
</tr>
<tr>
<td>Kansas</td>
<td>North Dakota(4)</td>
<td></td>
</tr>
</tbody>
</table>

*Subject to change.

(1) Registration as a dealer is required of banks not regulated by an agency of Arizona or the United States.
(2) Registration as a broker or dealer is not required in Colorado for a broker or dealer registered as such under the Securities Exchange Act of 1934, as amended, provided such broker or dealer has filed as an exempt broker or dealer in Colorado.
(3) A bank must register as a dealer unless it is authorized to do business in Florida.
(4) Banks must register as brokers or dealers in this state.
(5) Banks not organized under the laws of Illinois or the United States must register as dealers in Illinois.
(6) A bank must register as a dealer unless it is a national bank or a bank chartered and issued a certificate of authority by the State of Louisiana.
(7) A bank must be licensed as a dealer in Ohio unless the bank is a national or Ohio chartered bank and the profit to the bank does not exceed two percent of the total sale price of the Bonds sold.
(8) Application for confirmation of exemption is being filed. Before making any offers or sales, dealers should communicate with Salomon Brothers Inc. for information as to final approval.
(9) A bank not licensed as a broker-dealer in Wisconsin must effect transactions for its own account or as agent for the seller pursuant to bank agency regulation.
PART II
Exempt Transactions
Dealers

Offers before the Official Statement in final form is issued, and sales after it is issued, may be made to dealers and brokers in the jurisdictions listed below without registration of the Bonds or any filings being made in such jurisdictions. Persons making such offers and sales need not be registered or licensed as dealers or brokers in these jurisdictions except as otherwise indicated.

Alabama          Kentucky          Ohio
Alaska(1)        Louisiana        Oklahoma(1)
Arizona           Maine(8)         Oregon
Arkansas(2)       Maryland(1)     Pennsylvania(10)
California(3)     Massachusetts(1) Puerto Rico(1)
Colorado(4)       Michigan(1)     Rhode Island
Connecticut(5)    Minnesota(2)    South Carolina(1)
Delaware(1)       Mississippi(1)  South Dakota
District of Columbia(1) Missouri(1)     Tennessee(11)
Florida           Montana          Texas(12)
Georgia           Nebraska         Utah(1)
Guam(1)           Nevada(1)       Vermont
Hawaii(6)         New Hampshire(1) Virginia
Idaho             New Jersey(9)  Washington
Illinois          New Mexico       West Virginia(1)
Indiana(1)        New York         Wisconsin(13)
Iowa(7)           North Carolina(1) Wyoming(1)
Kansas            North Dakota

(1) Provided offeror or seller is a bank, savings institution or trust company; or is a registered or licensed dealer or broker in this jurisdiction; or has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with or through exempt institutions. 

(2) Provided offeror or seller is a bank, savings institution, savings and loan association or trust company; or is a registered or licensed broker-dealer in this jurisdiction; or has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed broker-dealers or exempt institutions.

(3) Provided offeror or seller is a bank, trust company, or savings and loan association, or is registered as a broker-dealer in California; or has no place of business in California, and effects transactions in California exclusively with broker-dealers; or is a broker-dealer registered under the Securities Exchange Act of 1934, has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1906 or any predecessor statute, has no place of business in California and offers or sells securities in California exclusively to broker-dealers or exempt institutions. 

(4) Provided offeror or seller is a bank, or a registered broker or dealer in Colorado or has filed as an exempt broker or dealer in Colorado. 

(5) Provided offeror or seller is a state bank and trust company, a national banking association, a savings bank, a savings and loan association, a federal savings and loan association, a credit union, a federal credit union, or trust company; or is registered as a broker-dealer in Connecticut; or has no place of business in Connecticut and effects transactions in Connecticut exclusively with or through registered broker-dealers or exempt institutions.

(6) Provided offeror or seller is a registered dealer in Hawaii, or has no place of business in Hawaii and effects transactions in Hawaii exclusively with or through registered dealers or exempt institutions.

(7) Provided offeror or seller is an institutional investor, including an insurance company or bank; or is registered as a broker-dealer in Iowa; or has no place of business in Iowa and effects transactions in Iowa exclusively with or through registered broker-dealers or exempt institutions.

(8) Provided offeror or seller is a depository institution engaged in its regular course of business; or is a registered broker-dealer in Maine; or is a broker-dealer registered under the Securities Exchange Act of 1934 and effects transactions in Maine exclusively with other broker-dealers registered or exempt in Maine or with exempt institutions.

(9) Provided offeror or seller is a bank, savings institution or trust company; or is a registered broker-dealer in New Jersey; or effects transactions in New Jersey exclusively with or through registered broker-dealers or exempt institutions.

(10) Provided offeror or seller is a bank, banking and trust company, savings bank, trust company, private bank, or savings and loan association effecting transactions for its own account or executing orders for the sale of securities for the account of the seller thereof; or is a registered broker-dealer in Pennsylvania, or has no place of business in Pennsylvania and effects transactions in Pennsylvania exclusively with or through broker-dealers or exempt institutions.

(11) Provided offeror or seller is an institutional investor, including an insurance company or bank; or is registered as a broker-dealer in Tennessee; or is registered as a broker-dealer with the Securities and Exchange Commission or the National Association of Securities Dealers but has no place of business in Tennessee and effects transactions in Tennessee exclusively with or through registered broker-dealers or exempt institutions.

(12) Provided offeror or seller is a bank, savings institution or trust company effecting transactions for its own account or as agent for the seller pursuant to regulations governing bank agency transactions, or is a person who effect transactions in Wisconsin exclusively for the account of or exclusively in offers to sell or sales to certain exempt institutions, or is a licensed broker-dealer in Wisconsin.

(13) Provided offeror or seller is a bank, savings institution or trust company effecting transactions for its own account or as agent for the seller pursuant to regulations governing bank agency transactions, or is a person who effect transactions in Wisconsin exclusively for the account of or exclusively in offers to sell or sales to certain exempt institutions, or is a licensed broker-dealer in Wisconsin.

(14) Provided offeror or seller is a bank, savings institution or trust company effecting transactions for its own account or as agent for the seller pursuant to regulations governing bank agency transactions, or is a person who effect transactions in Wisconsin exclusively for the account of or exclusively in offers to sell or sales to certain exempt institutions, or is a licensed broker-dealer in Wisconsin.
Institutions

Offers before the Official Statement in final form is issued, and sales after it is issued, may be made in the following jurisdictions to the institutions specified, without registration of the Bonds or any filings being made. Persons making such offers and sales need not be registered or licensed as dealers or brokers in these jurisdictions, unless otherwise indicated. This Survey does not cover the status of the Bonds with respect to eligibility for investment by any of the institutions mentioned.

Alabama ............................ Any bank, savings institution, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.

Alaska(1) ............................ Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Arizona ............................. Any bank, savings institution, insurance company, agency or instrumentality of the United States or of a state, or any person a principal part of whose business consists of buying securities.

Arkansas(2) .......................... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

California(3) ........................ Any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan, or individual retirement account), any organization described in Section 501(c)(3) of the Internal Revenue Code which has total assets (including endowment, annuity and life income funds) of not less than $5,000,000, or a corporation which has a net worth of not less than $14,000,000 or a wholly-owned subsidiary of any of the foregoing; provided in each case the purchaser, whether acting for itself or as trustee, represents that it is purchasing for its own account (or for such trust account) for investment and not with a view to or for sale in connection with any distribution of the security; or to the Federal government or any state or local government, government agency, state university or state college or their employee retirement systems.

Colorado(4) .......................... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.

Connecticut(5) ........................ Any state bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Delaware(1) .......................... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.
District of Columbia (1) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Florida Any bank or trust company, whether acting in its individual or fiduciary capacity, savings institution, insurance company, regulated investment company, or a pension or profit-sharing plan having assets not less than $500,000.

Georgia Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, or other financial institution, whether the purchaser is acting for itself or in some fiduciary capacity.

Guam (1) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Hawaii (6) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer (including any organization within the scope of Section 501(c)(3) of the Internal Revenue Code, as amended), whether the purchaser is acting for itself or as trustee.

Idaho Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.

Illinois Any corporation, bank, savings institution, trust company, insurance company, building and loan association, pension fund or pension trust, employees' profit-sharing trust, other financial institution or institutional investor (including any investment company, university, or other organization whose primary purpose is to invest its own assets or those held in trust by it for others and any foundation or endowment fund exempt from taxation under the Internal Revenue Code, a principal business function of which is to invest funds to produce income to carry out its purpose), whether the purchaser is acting for itself or in some fiduciary capacity, or to any partnership or association engaged as a substantial part of its business or operations in purchasing or holding securities, or any trust in respect of which a bank or trust company is trustee or co-trustee.

Indiana (1) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Iowa (7) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Kansas Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, provided the purchaser is purchasing for its own account or as a bona fide trustee.
Kentucky ............... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.

Louisiana ............... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, or other financial institution, whether the purchaser is acting for itself or in some fiduciary capacity.

Maine(8) ................ Any financial and institutional investor, defined as any depository institution or depository institution holding company; insurance company a separate account of an insurance company; an investment company as defined in the Investment Company Act of 1940; business development company as defined in the Investment Company Act of 1940; an employee pension and profit-sharing or benefit plan (other than a plan of the issuer, a self-employed individual retirement plan or individual retirement account) provided the plan has total assets in excess of $5,000,000 or the investment decision is made by a plan fiduciary which is either a depository institution, an insurance company or an investment adviser registered in Maine; any not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of $5,000,000; any small business investment company licensed under Section 301(c) or (d) of the Small Business Investment Act of 1958; or any entity, other than a natural person, a substantial part of whose business activities consists of investing in or purchasing securities of more than one issuer, provided the entity has gross assets in excess of $1,000,000 at the end of its latest fiscal year; whether any of the foregoing is acting for itself or in some fiduciary capacity.

Maryland(1) ............. Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Massachusetts(1) ....... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer (including any entity, other than an individual, a substantial part of whose business activities consists of investing in or purchasing securities of others and with gross assets of $1,000,000 or more at the end of its latest fiscal year), whether the purchaser is acting for itself or as trustee.

Michigan(1) ............. Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust the assets of which are managed by a bank, trust company or other institutional manager, or other financial institution or institutional manager, whether the purchaser is acting for itself or as trustee.

Minnesota(2) ............ Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer (including any corporation with equity securities registered under Section 12(g) of the Securities Exchange Act of 1934, as amended, and any “accredited investor” within the meaning of SEC Rule 501(a)), whether the purchaser is acting for itself or in some fiduciary capacity.
<table>
<thead>
<tr>
<th>State</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mississippi</td>
<td>Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution, or institutional buyer, whether the purchaser is acting for itself or as trustee.</td>
</tr>
<tr>
<td>Missouri</td>
<td>Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.</td>
</tr>
<tr>
<td>Montana</td>
<td>Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.</td>
</tr>
<tr>
<td>Nebraska</td>
<td>Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, business development company as defined in the Investment Company Act of 1940, small business investment company licensed by the U.S. Small Business Act of 1958, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.</td>
</tr>
<tr>
<td>Nevada</td>
<td>Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Any bank, savings institution (including any federally or New Jersey chartered credit union or any building and loan association operating pursuant to New Jersey law), trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer (including any business development company as defined in the Investment Company Act of 1940; any employee pension and profit-sharing or benefit plan (other than a plan of the issuer, a self-employed individual retirement plan or individual retirement account) provided the plan has total assets in excess of $5,000,000 or the investment decision is made by a plan fiduciary which is either a depository institution, insurance company or investment adviser registered in New Mexico; any small business investment company licensed under Section 301(c) or (d) of the Small Business Investment Act of 1958; any not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of $5,000,000; or any entity, other than a natural person, which is directly engaged in the business of and derives at least eighty percent of its annual gross income from, investing in or purchasing securities of more than one issuer, provided the entity has gross assets in excess of $5,000,000 at the end of its latest fiscal year), whether the purchaser is acting for itself or in some fiduciary capacity (other than as agent).</td>
</tr>
</tbody>
</table>
New York

Any bank or any syndicate, corporation or group formed for the specific purpose of acquiring such securities for resale to the public directly or through other syndicates or groups.

North Carolina(1)(10)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

North Dakota

Any bank, savings bank, savings institution, trust company, insurance company or any corporation, organization or association, a principal part of whose business consists of the buying of securities.

Ohio(11)

Any institutional investor, defined as any corporation, bank, trust company, building and loan association, savings association, insurance company, pension fund or trust, employees’ profit-sharing fund or trust or any association engaged, as a substantial part of its business or operations, in purchasing or holding securities, or any trust in respect of which a bank is trustee or co-trustee.

Oklahoma(1)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Oregon

Any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a mortgage banker, whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions.

Pennsylvania(12)

Any institutional investor, defined as any bank, banking and trust company, savings bank, trust company, private bank, savings and loan association, insurance company, pension or profit-sharing plan or trust, investment company, as defined in the Investment Company Act of 1940, other financial institution or any person, other than an individual, which controls any of the foregoing, whether the purchaser is acting for itself or in some fiduciary capacity, or the Federal Government, the State or any agency or political subdivision thereof or any other person designated by regulation of the Pennsylvania Securities Commission.

Puerto Rico(1)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

Rhode Island

Any national bank, or any bank, trust company, insurance company or association under the supervision of the Director of Business Regulation, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or institutional buyer, such securities being purchased by such institution for its own account and investment.

South Carolina(1)

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

South Dakota

Any bank, savings institution, trust company, insurance company, savings and loan association, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, the
State or any agency or political subdivision thereof, or other financial institution or institutional buyer (including any issuer with securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, and any wholly-owned subsidiary thereof, and any corporation, partnership or association in existence for 10 years or with net assets in excess of $250,000 whose principal stated purpose is investing in securities), whether such person is acting for itself or as trustee.

**Tennessee**

Any institutional investor, defined as any bank, trust company, insurance company, investment company registered under the Investment Company Act of 1940, as amended, a holding company which controls any of the foregoing, a trust or fund over which any of the foregoing has or shares investment discretion, or any other person engaged as a substantial part of its business in investing in securities (other than a broker-dealer), in each case having a net worth in excess of $1,000,000.

**Texas**

Any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution (including any federally or state chartered credit union or savings and loan association), investment company as defined in the Investment Company Act of 1940, or small business investment company as defined in the Small Business Investment Act of 1958, as amended, provided the purchaser is acting for its own account or as a bona fide trustee.

**Utah**

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

**Vermont**

Any bank, savings institution, trust company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in a fiduciary capacity.

**Virginia**

Any corporation, investment company or pension or profit-sharing trust.

**Washington**

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.

**West Virginia**

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

**Wisconsin**

Any bank, savings institution, credit union, trust company, insurer, investment advisor or savings and loan association, provided the purchaser is acting for itself or as trustee with investment control, any investment company as defined under 15 USC § 80a-3, pension or profit-sharing trust, the State or any agency or political subdivision thereof, the federal government or any of its agencies or instrumentalities or any other financial institution or institutional investor (including any issuer with securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, and any wholly-owned subsidiary thereof, and any corporation, partnership or association in existence for 10 years or with net assets in excess of $600,000 whose principal stated purpose is investing in securities).
Wyoming

Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or as trustee.

(1) Provided offeror or seller is a bank, savings institution or trust company; or is a registered or licensed dealer or broker in this jurisdiction; or has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with or through exempt institutions.

(2) Provided offeror or seller is bank, savings institution, savings and loan association or trust company; or is a registered or licensed broker-dealer in this jurisdiction; or has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed broker-dealers or exempt institutions.

(3) Provided offeror or seller is a bank, trust company, or savings and loan association; or is registered as a broker-dealer in California; or is a broker-dealer registered under the Securities Exchange Act of 1934, has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, has no place of business in California and effects transactions in California exclusively to other broker-dealers or to exempt institutions.

(4) Provided offeror or seller is a bank, or a registered broker or dealer in Colorado or has filed as an exempt broker or dealer in Colorado.

(5) Provided offeror or seller is a state bank and trust company; a national banking association, a savings bank, a savings and loan association, a federal savings and loan association, a credit union, a federal credit union, or a trust company; or is registered as a broker-dealer in Connecticut; or has no place of business in Connecticut and effects transactions in Connecticut exclusively with or through registered broker-dealers or exempt institutions.

(6) Provided offeror or seller is a registered dealer in Hawaii, or has no place of business in Hawaii and effects transactions in Hawaii exclusively with or through registered dealers or exempt institutions.

(7) Provided offeror or seller is an institutional investor, including an insurance company or bank; or is registered as a broker-dealer in Iowa, or has no place of business in Iowa and effects transactions in Iowa exclusively with or through registered broker-dealers or exempt institutions.

(8) Provided offeror or seller is a depository institution engaged in its regular course of business; or is a registered broker-dealer in Maine; or is a broker-dealer registered under the Securities Exchange Act of 1934 and effects transactions in Maine exclusively with other broker-dealers registered or exempt in Maine or with exempt institutions.

(9) Provided offeror or seller is a bank, savings institution or trust company; or is a registered broker-dealer in New Jersey; or effects transactions in New Jersey exclusively with or through registered broker-dealers or exempt institutions.

(10) A bank, savings institution, trust company, or North Carolina registered dealer may also offer and sell the Bonds to any corporation which has a net worth in excess of $1,000,000 as determined by generally accepted accounting principles in addition to the exempt institutions cited.

(11) Provided offeror or seller is a licensed dealer in Ohio.

(12) Provided offeror or seller is a bank, banking and trust company, savings bank, trust company, private bank, or savings and loan association effecting transactions for its own account or executing orders for the sale of securities for the account of the seller thereof; or is a registered broker-dealer in Pennsylvania; or has no place of business in Pennsylvania and effects transactions in Pennsylvania exclusively with or through broker-dealers or exempt institutions.

(13) Provided offeror or seller is an institutional investor, including an insurance company or bank; or is registered as a broker-dealer in Tennessee; or is registered as a broker-dealer with the Securities and Exchange Commission or the National Association of Securities Dealers but has no place of business in Tennessee and effects transactions in Tennessee exclusively with or through registered broker-dealers or exempt institutions.

(14) Provided offeror or seller is a bank, savings institution or trust company effecting transactions for its own account or as agent for the seller pursuant to regulations governing bank agency transactions, or is a person who effects transactions in Wisconsin exclusively for the account of or exclusively in offers to sell or sales to certain exempt institutions; or is a licensed broker-dealer in Wisconsin.
May 8, 1986

$290,075,000
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
SERIES 58 BONDS

SUPPLEMENTAL BLUE SKY MEMORANDUM

SAOLOMON BROTHERS INC
GOLDMAN, SACHS & CO.
MERRILL LYNCH CAPITAL MARKETS
CITICORP INVESTMENT BANK
Citibank, N.A.
MANUFACTURERS HANOVER TRUST COMPANY
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
BEAR, STEARNS & CO. INC.
L. F. ROTHSCILD, UNTERBERG, TOWBIN, INC.
SHEARSON LEHMAN BROTHERS INC.

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

Dear Sirs:

This Memorandum supplements and completes our Blue Sky Memorandum dated May 5, 1986, with reference to the offering of the Series 58 Bonds (the "Bonds") of the Municipal Assistance Corporation For The City of New York.

We wish to advise you that exemptions have been confirmed where necessary.

For information as to the Blue Sky status of the Bonds in the various jurisdictions, reference is made to our Blue Sky Memorandum of May 5, 1986.

Very truly yours,

WHITE & CASE
ORDER AS TO DEPOSIT AND INVESTMENT OF SERIES 58 BOND PROCEEDS
AND IRREVOCABLE INSTRUCTIONS TO TRUSTEE AS TO ESTABLISHMENT OF
SERIES 28, 29 AND 30 TRUST FUND AND
APPLICATION OF AMOUNTS DEPOSITED THEREIN

29 May 1986

United States Trust Company
of New York
45 Wall Street
New York, New York 10005

Ladies and Gentlemen:
The Municipal Assistance Corporation For The City of New York (the
"Corporation"), has today delivered to you, as Trustee under the Second
General Bond Resolution adopted by the Corporation on November 25,
1975, as amended and supplemented to the date hereof (the "Second
General Resolution"), $282,339,426.63 on account of the proceeds of sale of
$290,075,000 aggregate principal amount of the Corporation's Series 58
Bonds (the "Series 58 Bonds") delivered today under the Second General
Resolution and the Corporation's Series 58 Resolution adopted May 8, 1986
(the "Series 58 Resolution"). The total proceeds of the sale of the Series 58
Bonds consist of such amount plus the good faith deposit of the
Underwriters named in the Bond Purchase Agreement dated May 8, 1986
among the Corporation and such Underwriters in the amount of
$1,450,375.00 delivered to you on May 8, 1986 aggregating $283,789,801.63
(the "Proceeds").

You are hereby requested, authorized and directed to deposit the Proceeds
in the Corporation's Bond Proceeds Account (the "Proceeds Account").
29 May 1986
United States Trust Company
of New York
Page 2

You are hereby further requested, authorized and directed on the date hereof to deposit $1,652,144.28 (which constitutes accrued interest on the Series 58 Bonds) of the Proceeds in the Bond Service Fund under the Second General Resolution.

As provided in Sections 302 and 303 of the Series 58 Resolution, the Corporation hereby irrevocably orders and instructs you to apply the balance of the Proceeds as follows: $282,133,816.93 to purchase noncallable direct obligations of the United States of America of such maturities, bearing such interest and otherwise having such terms and qualifications, and $3,840.42 to deposit as cash, as set forth in the Corporation's certificate attached hereto as Schedule A, and all such obligations of the United States and such cash shall be credited to or deposited into, and held by you, as Trustee under the Second General Resolution, in a trust fund to be held separate and apart from all other funds of you or the Corporation, designated as the Series 28, 29 and 30 Trust Fund and established pursuant to Section 301 of the Series 58 Resolution (the "Series 28, 29 and 30 Trust Fund").

The Corporation hereby certifies to you, as Trustee under the Second General Resolution, that the moneys deposited and the payments received as the principal of and interest on the obligations to be purchased under the
preceding paragraph will be sufficient to pay, when due, the principal or redemption price (if applicable) of and interest due or to become due on the respective aggregate principal amounts of the Corporation's outstanding Series 28, 29 and 30 Bonds (collectively, the "Refunded Bonds") on and prior to the maturity or earlier redemption date thereof, as the case may be.

The Corporation hereby irrevocably instructs you, as Trustee under the Second General Resolution, that, as provided in Section 304 of the Series 58 Resolution, upon direction in a certificate of an Authorized Officer of the Corporation, you shall, to the extent practicable, and in such manner so as not to cause any of the Refunded Bonds or the Series 58 Bonds to become arbitrage bonds, reinvest amounts on deposit in the Series 28, 29 and 30 Trust Fund, if not then needed to pay the principal or redemption price (if applicable) of and interest on each respective series of the Refunded Bonds, in non-callable direct obligations of the United States of America maturing at such times and in such amounts as shall be sufficient to pay when due the principal or redemption price of and interest on each respective series of the Refunded Bonds on or prior to the maturity or other due date or dates thereof and interest earned from such reinvestment and not required for such payments with regard to each respective series of the Refunded Bonds shall be deposited in the Bond Service Fund or Capital
Reserve Fund established pursuant to the Second General Resolution, as you shall be directed in a certificate of an Authorized Officer, free and clear of any trust, lien or pledge to the holders of the Refunded Bonds.

The Corporation hereby irrevocably orders and instructs you to apply the moneys in the Series 28, 29 and 30 Trust Fund, including payments received as principal of or interest on the obligations deposited therein, to pay the principal or redemption price (if applicable) of and interest on the Refunded Bonds when due as specified in Section 304 of the Series 58 Resolution and herein, and to publish, as soon as practicable at least twice at an interval of not less than seven days between publications, in an Authorized Newspaper (as defined in the Second General Resolution), notice to the holders of the Refunded Bonds and coupons that the deposits in the Series 28, 29 and 30 Trust Fund have been made with you, as Trustee under the Second General Resolution, and that the Refunded Bonds are deemed to have been paid in accordance with Section 1401(2) of the Second General Resolution, and stating that moneys are to be available for the payment of the principal or redemption price (if applicable) of the Refunded Bonds at their maturity or earlier redemption date, as the case may be, and to take all actions required by such Section 304, including the publication of notice of redemption of the Refunded Bonds in the time and in the manner set forth in Section 405 of the Second General Resolution.
Pending directions as to the expenditure of the Bond Service Fund for the purposes authorized by the Second General Resolution, you are hereby requested, authorized and directed to invest moneys in the Bond Service Fund, and any accrued interest thereon, in the manner provided in Section 702 of the Second General Resolution.

Sincerely,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By: Stephen J. Weinstein
Executive Director

Attachment: Schedule A
SCHEDULE A

United States Treasury Securities — State and Local Government Series
to be Purchased and Deposited into the
Series 28, 29 and 30 Trust Fund*.

<table>
<thead>
<tr>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Issue Date</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,821,100</td>
<td>6.35</td>
<td>05/29/86</td>
<td>01/01/87</td>
</tr>
<tr>
<td>16,253,900</td>
<td>6.49</td>
<td>05/29/86</td>
<td>07/01/87</td>
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<tr>
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<td>05/29/86</td>
<td>01/01/88</td>
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<td>16,496,800</td>
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<td>3,209,200</td>
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<td><strong>$ 256,663,200</strong></td>
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United States Treasury Note to be Purchased and Deposited
into the Series 28, 29 and 30 Trust Fund:

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<td>06/30/86</td>
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Moneys to be deposited into the
Series 28, 29 and 30
Trust Fund: $3,840.42

* See attached Subscription dated May 9, 1986.

bba:121
SUBSCRIPTION FOR PURCHASE AND ISSUE OF
U.S. TREASURY SECURITIES
STATE AND LOCAL GOVERNMENT SERIES

To: Federal Reserve Bank or Branch at New York, New York

1. Pursuant to the provisions of Department of the Treasury Circular, Public Debt Series No. 3-72, current revision, the undersigned hereby subscribes for the purchase of the following securities:

   a. ☐ United States Treasury Certificates of Indebtedness — State and Local Government Series (SCHEDULE 1)
      TOTAL AMOUNT $ 1,821,100

   b. ☐ United States Treasury Notes — State and Local Government Series (SCHEDULE 2)
      TOTAL AMOUNT $ 254,842,100

   c. ☐ United States Treasury Bonds — State and Local Government Series (SCHEDULE 3)
      TOTAL AMOUNT
      GRAND TOTAL $ 256,663,200

   as described on the attached schedules, which are incorporated by reference to this subscription, to be used as entries on books of the Bureau of the Public Debt, Department of the Treasury.

2. The undersigned certifies that the total investment (1) consists only of the proceeds of obligations described in Section 10 of the Internal Revenue Code, and (2) is not more nor less, within authorized multiples ($1,000 minimum and increment $100 over such amount), directly subject to yield restrictions under Section 103(c) of the Code, and the regulations thereunder, except for any portion thereof required for a payment due less than 45 days from the date settlement is made the securities subscribed for.

3. The undersigned requests that book-entry accounts be established for:

   Name of owner MUNICIPAL ASSISTANCE CORPORATION For the
   CITY OF NEW YORK

4. The undersigned:
   a. ☐ submits payment in full herewith for the above securities, as shown below.
   b. ☐ requests that issuance be deferred until 5/29/86 (not to exceed by more than 60 days the date which this subscription is received at a Federal Reserve Bank or Branch or, where mailed, by the date appearing on registered or certified mail envelope in which it is received), and agrees to make payment on that date.

5. The undersigned further certifies that the following official(s), by title(s), are authorized, subject to the provisions of the Circular, to request redemption prior to maturity of the securities (if no one has been so authorized, enter "no word"):

   Date: May 19, 1985
   (212) 775-0010
   MUNICIPAL ASSISTANCE CORPORATION
   FOR THE CITY OF NEW YORK

   [Signatures of officials]

   [Address information]

   [Account number, if applicable]

   [Authorized representative's name and title]
The United States Treasury Certificates of Indebtedness—State and Local Government Series subscribed for on the FORM TL 4144 to which this schedule is attached, are requested to be issued and held in book-entry accounts on the books of the Department of the Treasury, as follows:

**NAME AND ADDRESS OF OWNER**

MUNICIPAL ASSISTANCE CORPORATION For the CITY of NEW YORK

c/o United States Trust Company of New York

45 Wall Street

New York, New York 10005

**NAME AND ADDRESS OF SUBSCRIBING BANK**

United States Trust Company of New York

45 Wall Street

New York, New York 10005

**EMPLOYER IDENTIFICATION NO.** 1 3 - 2 8 3 2 : 8 5 5

**THE UNDERSIGNED REQUESTS THAT PAYMENT OF PRINCIPAL AND INTEREST AT MATURITY BE MADE FOR THE ACCOUNT OF THE OWNER AS FOLLOWS:**

- **CREDIT RESERVE ACCOUNT OF:**
  - United States Trust Company of New York
    - 45 Wall Street
    - New York, New York 10005

**NOTE:** The interest rate on each certificate may not exceed the maximum interest rate for Treasury securities of comparable terms of maturity, as shown in the Treasury schedule applicable to this issuance. The maturity dates specified must be not less than 45 days nor more than one year from date of issue.

<table>
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<tr>
<th>ACCOUNT NUMBERS (ASSIGNED BY FRB)</th>
<th>PRINCIPAL AMOUNT</th>
<th>INTEREST RATE</th>
<th>ISSUE DATE</th>
<th>MATURITY DATE</th>
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<td>1,821,100</td>
<td>1,821,100</td>
<td>6.35</td>
<td>5-29-86</td>
<td>1-01-87</td>
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</tbody>
</table>

**TOTAL 1,821,100**

**NAME OF STATE OR LOCAL GOVERNMENT BODY:**

MUNICIPAL ASSISTANCE CORPORATION For the CITY OF NEW YORK

**SIGNATURE:**

**TITLE:** Deputy Treasurer

**FOR TREASURY DEPARTMENT USE ONLY:**

**ACCOUNT NO. ASSIGNED:**

**FOR TOLL FREE BRANCH USE ONLY:**

**ACCOUNTS ESTABLISHED BY:**
The United States Treasury Notes—State and Local Government Series subscribed for on the FORM PD 4144 to which this schedule is attached and incorporated, are requested to be issued and held in book-entry accounts on the books of the Department of the Treasury, as follows:

**NAME AND ADDRESS OF OWNER**

MUNICIPAL ASSISTANCE CORPORATION For the CITY OF NEW YORK  
C/o United States Trust Company of New York  
45 Wall Street  
New York, New York 10005

EMPLOYER IDENTIFICATION NO. 13-2832855

**NAME OF STATE OR LOCAL GOVERNMENT BODY:** MUNICIPAL ASSISTANCE CORPORATION  
For the CITY OF NEW YORK

**SIGNATURE:** [Signature]  
**TITLE:** [Title]

**NAME AND ADDRESS OF SUBSCRIBER'S BANK**

United States Trust Company of New York  
45 Wall Street  
New York, New York 10005

The undersigned requests that payment of interest, and principal when due, be made for the account of the owner as follows:

**CREDIT RESERVE ACCOUNT OF:** United States Trust Company of New York  
45 Wall Street  
New York, New York 10005

OR

NOTE: The interest rate on each note may not exceed the maximum interest rate for Treasury notes of comparable terms to maturity. The maturity dates specified must be not less than one year and one day nor more than ten years from date of issue. Interest will be paid semi-annually on the first interest payment date and annually thereafter. The final six months' interest to be paid at maturity with the principal. If the date for the last interest payment falls less than 45 days from the date of issue, such payment may be delayed.

<table>
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<th>ACCOUNT NUMBERS (ASSIGNED BY FBS)</th>
<th>PRINCIPAL AMOUNT</th>
<th>INTEREST RATE</th>
<th>ISSUE DATE</th>
<th>MATURITY DATE</th>
<th>FIRST INTEREST PAYMENT DATE</th>
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<td>3,336,200</td>
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<td>175,341,700</td>
<td>7.14</td>
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<td>1-01-91</td>
<td>1-01-87</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>254,842,100</strong></td>
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<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
CERTIFICATE OF TRUSTEE AS TO REceipt OF PROCEEDS OF SALE OF SERIES 58 BONDS

The undersigned, a duly appointed and qualified officer of United States Trust Company of New York, HEREBY CERTIFIES as follows:

United States Trust Company of New York, as Trustee (the "Trustee") under the Second General Bond Resolution adopted November 25, 1975, as amended and supplemented (the "Second General Resolution"), by the Municipal Assistance Corporation For The City of New York (the "Corporation"), and in connection with the issuance and delivery today by the Corporation of its Series 58 Bonds, in the aggregate principal amount of $290,075,000 (the "Bonds"), as authorized by the Series 58 Resolution adopted on May 8, 1986, hereby acknowledges, on behalf of the Corporation, the receipt of the proceeds of sale of the Bonds, plus accrued interest thereon, consisting of $1,450,375.00 good faith deposit received on May 8, 1986, and the additional amount of $282,339,426.63 (representing the purchase price of the Bonds in the amount of $282,137,657.35 plus accrued interest in the aggregate amount of $1,652,144.28, less such good faith deposit) received on the date hereof, for use in accordance with instructions delivered by the Corporation to the Trustee on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of United States Trust Company of New York this 29th day of May 1986.

(SEAL)

Pat V. Santivasci
Vice President

Attest:

William Weber
Assistant Secretary
Federal Reserve Bank of New York

Bankers Trust Company

Amount

210 1-20

335296

City of New York

Municipal Assistance Corporation for the

Date: 5/29/96

PAY TO THE ORDER OF

NEW YORK

Bankers Trust Company

To the order of

United States Trust Company

For Deposit Only in

Municipal Assistance Corporation

Account # 304-53

By: J.B. Shack

Quinn, Spector, Tweedle

Municipal Assistance Commissioner
CERTIFICATE OF TRUSTEE RESPECTING DEFEASANCE
OF THE SERIES 28, 29 AND 30 BONDS

United States Trust Company of New York, as Trustee (the "Trust Company") appointed by the Municipal Assistance Corporation For The City of New York (the "Corporation"), a public benefit corporation of the State of New York, under and pursuant to the First General Bond Resolution adopted July 2, 1975, as amended and supplemented (the "First General Resolution"), and the Second General Bond Resolution adopted November 25, 1975, as amended and supplemented (the "Second General Resolution"), HEREBY CERTIFIES that:

1. The Trust Company is the duly appointed and acting Trustee under the Second General Resolution, the Series 28 Resolution adopted January 21, 1981, pursuant to which the Series 28 Bonds were issued and are presently outstanding in the principal amount of $29,780,000 and the Series 29 and 30 Resolutions adopted June 2, 1981, pursuant to which the Series 29 and 30 Bonds were issued and are presently outstanding in the principal amounts of $119,075,000 and $85,390,000, respectively.

2. The Trust Company has examined the proceedings as to the issuance by the Corporation of the Series 58 Bonds (the "Series 58 Bonds") under the Series 58 Resolution adopted May 8, 1986 (the "Series 58 Resolution"), the opinions dated today of General Counsel to the Corporation and of Bond Counsel to the Corporation, on which opinions the Trust Company is relying, and other documents and records delivered today at the closing for the sale by the Corporation of the Series 58 Bonds, including the certificates dated today of the Corporation as to: (a) the adoption of the Series 58 Resolution; (b) the designation of specified non-callable direct obligations of the United States of America to be purchased with the proceeds of the Series 58 Bonds exclusive of accrued interest and to be credited to or deposited into the special trust funds established pursuant to the Series 58 Resolution and maintained by the Trust Company (the "Series 28, 29 and 30 Trust Fund"), and that the payments received as the principal of and interest on the specified obligations and moneys held in the Series 28, 29 and 30 Trust Fund will be sufficient to pay the principal or the redemption price (if applicable) of and interest due and to become due on the outstanding Series 28, 29 and 30 Bonds; and (c) the defeasance of the Series 28, 29 and 30 Bonds pursuant to Article XIV of the Second General Resolution.

3. The Corporation has adopted the Series 58 Resolution pursuant to which the Corporation has established the Series 28, 29 and 30 Trust Fund for the purpose of paying the principal or redemption price (if applicable) of and the interest due and to become due on the outstanding Series 28, 29 and 30 Bonds on and prior to the maturity or earlier redemption date thereof, as the case may be.

4. The Trust Company has received irrevocable instructions from the Corporation pursuant to Sections 203 and 1491(2) of the Second General Resolution and pursuant to Section 304 of the Series 58 Resolution with respect to the giving of the notice of the redemption of the Series 28, 29 and 30 Bonds on a date prior to maturity.
and of the provision for payment when due of the principal or redemption price (if applicable) of and interest due and to become due on the Series 28, 29 and 30 Bonds on and prior to the redemption date thereof, as the case may be.

5. The Trust Company has reviewed the certificate specified in Paragraph 2(b) above and has determined that such certificate is accurate; and the Trust Company has further determined that the payments when due of the principal of and the interest on the non-callable direct obligations of the United States of America, which have today been deposited with or credited to the Trust Company (as set forth in such certificate) for the establishment and maintenance of the Series 28, 29 and 30 Trust Fund, will provide funds which will be sufficient to pay, when due, the principal or redemption price (if applicable) of and interest due and to become due on the outstanding Series 28, 29 and 30 Bonds on and prior to the maturity or earlier redemption date thereof, as the case may be.

6. Pursuant to the provisions of Article XIV of the Second General Resolution, the Series 28, 29 and 30 Bonds and interest due and to become due thereon are hereby deemed to have been paid in accordance with Section 1401(2) of the Second General Resolution, and with the effect therein expressed.

IN WITNESS WHEREOF, the Trust Company has caused this certificate to be executed by the officer thereunto duly authorized this 29th day of May 1986.

UNITED STATES TRUST COMPANY
OF NEW YORK

By: [Signature]
Vice President

(CORPORATE SEAL)

Attest:
By: [Signature]
Assistant Secretary
RECEIPT FOR SERIES 58 BONDS AND DOCUMENTS

The undersigned hereby acknowledges receipt on the date hereof from the United States Trust Company of New York, as Trustee under the Second General Bond Resolution adopted on November 23, 1975, as amended and supplemented (the "Second General Resolution"), upon the order of the Municipal Assistance Corporation For The City of New York (the "Corporation"), of the Series 58 Bonds (the "Bonds"), of the Corporation, in definitive form, in the principal amount of $290,075,000 issued pursuant to the Second General Resolution and the Series 58 Resolution adopted May 8, 1986.

The aggregate purchase price of the Bonds is $282,137,657.35 plus accrued interest in the amount of $1,652,164.28 from May 1, 1986 to the date hereof, for a total of $283,789,801.63 for which a check payable in immediately available funds is herewith tendered in the amount of $282,339,426.63, the balance being provided by the application of the deposit in the amount of $1,450,375.00 delivered to the Corporation on May 8, 1986.

In connection with the purchase of the Bonds, the undersigned acknowledges receipt of the approving opinion of Hawkins, Delafield & Wood, Bond Counsel to the Corporation, together with copies of all of the other documents delivered at the closing, as set forth in the Table of Contents attached to the Record of Proceedings.

IN WITNESS WHEREOF, this receipt has been executed this 29th day of May 1986.

SALOMON BROTHERS INC

By: [Signature]

(Name)
Mr. Quentin B. Spector, Treasurer  
Municipal Assistance Corporation  
for the City of New York  
One World Trade Center - Suite 8901  
New York, New York 10048

Re: $290,075,000 Municipal Assistance Corporation for the City of New York, General Obligation Refunding Bonds, Series 58, dated: May 1, 1986

Dear Mr. Spector:

Pursuant to request for a Standard & Poor's rating on the above debt obligations, we have reviewed the information furnished to us and, subject to the terms and conditions of the MEMORANDUM OF AGREEMENT on the reverse side hereof, have assigned a rating of "A" to the obligations.

Please note that the information referred to in the third paragraph of the MEMORANDUM OF AGREEMENT includes annual audits and budgets and, for revenue bond ratings in connection with construction financing, progress reports, not less often than quarterly, covering the project being financed.

In the event that you decide to include this rating in an Official Statement, prospectus or other offering literature, we request that you include S&P's definition of the rating together with a statement that the rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information.

We are pleased to have been of service to you. Our bill will be sent in due course. If you have any questions, please contact us.

Very truly yours,

[Signature]

Angela M. Hyland  
Senior Vice President
May 28, 1986

Mr. Steve Weinstein
Executive Director
Municipal Assistance Corp.
For the City of New York
1 World Trade Center Rm. 8091
New York, New York 10048

Dear Mr. Weinstein:

We wish to inform you that our Rating Committee has assigned the rating of A to the $290,075,000 Municipal Assistance Corporation for the City of New York, New York Second Resolution Sales and Use Tax Bonds which sold through negotiation on May 8, 1986.

In order that we may maintain the currency of this rating over the period of the loan, we will require current financial and other updating information. We will appreciate your continued cooperation in the future.

We would appreciate receiving a copy of the final Official Statement when available.

Enclosed please find a copy of our credit report on the above referenced bond sale.

Should you have any questions regarding the above, please do not hesitate to contact Ms. Colleen Woodell at (212) 553-0300.

Sincerely yours,

Freda Stern Ackerman
Executive Vice President

CW :pl

cc: Mr. Quentin Spector
Deputy Executive Director/Treasurer
Municipal Assistance Corp.
For the City of New York
1 World Trade Center Rm. 8091
New York, New York 10048
In the opinion of Bond Counsel, interest on the Series 58 Bonds is exempt from (1) Federal income taxes under the existing statutes, and (2) personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York, and that the Series 58 Bonds are exempt from all taxation directly assessed by the City of New York. However, by virtue of the tax-exempt status of the Bonds, the redemption and satisfaction in full of the Series 58 Bonds is subject to the power of taxation imposed by the City of New York, the State of New York, or the United States Internal Revenue Service.

CITY OF NEW YORK

MUNICIPAL ASSISTANCE CORPORATION

FOR THE CITY OF NEW YORK

(A Public Benefit Corporation of the State of New York)

Series 58 Bonds

Date: May 17, 1986

$290,075,000

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$290,075,000

Municipal Assistance Corporation

For The City of New York

(A Public Benefit Corporation of the State of New York)

Series 58 Bonds

Date: May 17, 1986

$290,075,000

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$290,075,000

Municipal Assistance Corporation

For The City of New York

(A Public Benefit Corporation of the State of New York)

Series 58 Bonds

Date: May 17, 1986

$290,075,000

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MUNICIPAL ASSISTANCE CORPORATION FOR
THE CITY OF NEW YORK

$290,075,000

SERIES 58 BONDS

MEMORANDUM OF CLOSING ON MAY 29, 1986

At a closing held on May 29, 1986, the Municipal Assistance Corporation For The City of New York (the "Corporation") issued and sold to the underwriters referred to in Schedule I to the Bond Purchase Agreement dated May 8, 1986 (the "Bond Purchase Agreement") among the Corporation and each of such underwriters (collectively the "Underwriters") $15,975,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 1997, $17,090,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 1998, $18,310,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 1999, $19,645,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 2000, $21,075,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 2001 and $197,980,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 2008 (collectively, the "Series 58 Bonds"). The Series 58 Bonds were issued pursuant to the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, each as further amended, said Acts being Titles I, II and III of Article 10 of the Public Authorities Law (constituting Chapter 43-A of the Consolidated Laws of the State of New York), the Second General Bond Resolution, adopted by the Corporation on November 25, 1975, as amended and supplemented (the "Second General Bond Resolution"), and the Series 58 Resolution adopted by the Corporation on May 8, 1986 authorizing the Series 58 Bonds (the "Series 58 Resolution").

I

The Closing

A. On May 28, 1986, a preliminary closing was held at the offices of the Corporation, Suite 8901, One World
Trade Center, New York, New York. All papers to be delivered at the Closing, to the extent practicable, were executed and approved, and such papers were packaged and placed in escrow.

B. The Closing (the "Closing") was held at such offices of the Corporation on May 29, 1986, at 9:00 a.m. (the "Closing Date"). The names of the persons present at the Closing are set forth in Schedule I hereto.

C. All the transactions enumerated in divisions II and III below are considered to have taken place simultaneously, and no delivery or payment was considered to have been made until all transactions to be taken at the Closing were completed.

II

Documents Delivered at the Closing

A. From the Corporation to the representatives of the Underwriters (the "Representatives") and their counsel:


3. Bond Purchase Agreement dated May 8, 1986, executed by the Corporation and Salomon Brothers Inc as the representative of the Underwriters (the "Representative").

4. Extract of the Minutes of the Board of Directors Meetings held on May 8, 1986 showing the adoption of the Series 58 Resolution authorizing execution of the Bond Purchase Agreement and issuance of the Series 58 Bonds on the terms stated in the Bond Purchase Agreement and the Series 58 Resolution.
5. Copy of the Second General Bond Resolution.

6. Copy of the Series 58 Resolution.

7. Written order of the Corporation as to the delivery and authentication of the Series 58 Bonds.

8. A certificate, dated the Closing Date, of the Director of the Budget of the State of New York (the "State"), required pursuant to Section 3(a)(4) of the Bond Purchase Agreement.

9. A certificate of the Commissioner of Taxation and Finance of the State, dated the Closing Date, required pursuant to Section 3(a)(5) of the Bond Purchase Agreement. (Exhibit C to the Bond Purchase Agreement)

10. A certificate, dated the Closing Date, of (i) the Mayor of the City of New York (the "City") or an appropriate deputy and (ii) the Comptroller of the City or an appropriate deputy, required pursuant to Section 3(a)(6) of the Bond Purchase Agreement.

11. The approval, dated May 7, 1986, of the Comptroller of the State required pursuant to Section 3(d) of the Bond Purchase Agreement.

12. A general certificate of the Corporation as to directors, officers, terms of office and other details of the Corporation, including the seal, by-laws, litigations, the Second General Bond Resolution, the Series 58 Resolution, minutes, specimen Bonds, signatures and certifications, required pursuant to Section 202 of the Second General Bond Resolution, specifically as to:

   (i) no default under Section 202.2(4); and

   (ii) debt coverage under Section 202.3(3)-(4);

and the certifications of the Corporation, required pursuant to Section 3(a)(3) of the Bond Purchase Agreement and Section 501 of the Series 58 Resolution, with specimen Series 58 Bonds attached thereto.

13. A certificate of the Commissioner of Taxation and Finance of the State, required pursuant to Section 202.3(1) of the Second General Bond Resolution.
14. A certificate of the Director of the Budget of the State as to the amount of Per Capita Aid, required pursuant to Section 202.3(2) of the Second General Bond Resolution.

15. Arbitrage certificate of the Corporation required pursuant to Section 3(a)(9) of the Bond Purchase Agreement.

16. Evidence that ratings for the Series 58 Bonds as required by Section 3(a)(11) of the Bond Purchase Agreement have been issued.

17. A certificate of an officer of the Corporation pursuant to Section 3(a)(12) of the Bond Purchase Agreement as to the compliance by the Corporation with certain financial conditions.

B. From the Corporation to United States Trust Company of New York, as trustee (in such capacity, the "Trustee") and its counsel:

1. Copies of the following documents, all as required by Section 202 of the Second General Bond Resolution:

   (a) See item A.5 above.
   (b) See item A.6 above.
   (c) See item A.7 above.
   (d) See item A.12 above.
   (e) See item A.13 above.
   (f) See item A.14 above.
   (g) See item D below.
   (h) See item E.1 below.

2. Order as to deposit and investment of the proceeds of the Series 58 Bonds and irrevocable instructions as to the establishment of the Series 28, 29 and 30 Trust Fund required pursuant to Section 3(a)(8) of the Bond Purchase Agreement.
C. From the United States Trust Company of New York to the Corporation, with executed copies to the Representatives and their counsel:

1. A certificate with attached copy of the Executive Order pursuant to its By-laws showing authority for officers to authenticate the Series 58 Bonds.

2. A certificate, dated the Closing Date, required pursuant to Section 3(a)(7) of the Bond Purchase Agreement.

3. An opinion of Counsel for the Trustee with respect to United States Trust Company of New York's authority to act as Trustee, together with a reliance opinion to the Representatives.

D. From Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel for the Corporation, to the Representatives and their counsel:

1. The opinion, dated the Closing Date, addressed to the Representatives, furnished pursuant to Section 3(a)(1) of the Bond Purchase Agreement and substantially in the form of Exhibit A thereto, together with a reliance opinion to the Trustee.

E. From Hawkins, Delafield & Wood, Bond Counsel, to the Representatives and their counsel:

1. The opinion, dated the Closing Date, addressed to the Representatives, furnished pursuant to Section 3(a)(1) of the Bond Purchase Agreement and substantially in the form of Exhibit B thereto.

2. The opinion, dated the Closing Date, addressed to the Corporation (accompanied by a letter authorizing reliance thereon by the Trustee and the Underwriters), furnished pursuant to Section 3(a)(1) of the Bond Purchase Agreement and substantially in the form of Exhibit B of the Official Statement.

3. The opinion, dated the Closing Date, addressed to Corporation (accompanied by a letter authorizing reliance thereon by the Trustee and the Underwriters), furnished pursuant to Section 3(a)(1) of the Bond Purchase Agreement and substantially in the form of Exhibit C to the Official Statement.
4. The opinion, dated the Closing Date, addressed to the Corporation (accompanied by a letter authorizing reliance thereon by the Trustee), furnished pursuant to Section 3(a)(1) of the Bond Purchase Agreement and substantially in the form of Exhibit D to the Official Statement.

5. The opinion, dated the Closing Date, addressed to the Corporation (accompanied by a letter authorizing reliance thereon by the Trustee and the Underwriters), as to the enforceability of the 1978 State Covenant, furnished pursuant to Section 3(a)(1) of the Bond Purchase Agreement.

6. The opinion, dated the Closing Date, addressed to the Corporation, as to arbitrage, furnished pursuant to Section 3(a)(10) of the Bond Purchase Agreement.

F. From White & Case, Counsel to the Underwriters, to the Representatives:

1. The opinions, dated the Closing Date, addressed to the Representatives, furnished pursuant to Section 3(a)(2) of the Bond Purchase Agreement.

2. A survey of the applicable "Blue Sky" laws of various jurisdictions.

3. A copy of the "Tombstone" advertisement relating to the Series 58 Bonds.


III

Delivery of the Series 58 Bonds and Checks at the Closing

A. Registered bonds representing $15,975,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 1997, registered bonds representing $17,090,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 1998, registered bonds representing $18,310,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 1999, registered bonds representing $19,645,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on
July 1, 2000, registered bonds representing $21,075,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 2001 and registered bonds representing $197,980,000 aggregate principal amount of the Corporation's Series 58 Bonds maturing on July 1, 2008, were delivered to the Representatives.

B. The Representatives delivered to the Corporation a certified or official bank check in immediately available funds in the amount of $282,339,426.63 which, together with the deposit of $1,450,375.00 paid pursuant to Section 5 of the Bond Purchase Agreement, constitutes payment in full of the purchase price of the Series 58 Bonds. Such $283,789,801.63 purchase price equals the $282,137,657.35 aggregate purchase price for the Series 58 Bonds plus $1,652,144.28 accrued interest.

C. Receipt of the Trustee as to proceeds of the sale of the Series 58 Bonds was given to the Representatives.

D. Receipt of the Representatives for the Series 58 Bonds was given to the Trustee.
Persons Present at the Closing

For the Corporation:

Stephen J. Weinstein, Esq.
Maxine H. Gillman, Esq.
Mr. Quentin B. Spector
Ms. Frances N. Higgins
Steven C. Markbreiter, Esq.

For the Trustee:

Mr. Pat V. Santivasci
Mr. H. William Weber

For the Underwriters:

Mr. L. Eugene Crowley
Ms. Jenny A. Hourihan

For Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation:

Saul H. Finkelstein, Esq.
Lee S. Pershan, Esq.

For Hawkins, Delafield & Wood, Bond Counsel:

Donald J. Robinson, Esq.
Kathleen A. McDonough, Esq.
Kent K. Reynolds, Esq.

For Carter, Ledyard & Milburn, Counsel to the Trustee:

Robert R. Grew, Esq.
Gabrielle U. Falger, Esq.

For White & Case, Counsel to the Underwriters:

Anthony F. Kahn, Esq.