THE CITY OF NEW YORK

LOAN REQUEST

We, the undersigned, hereby request the Secretary of the Treasury of the United States of America (the "Secretary"), that he make a loan to The City of New York (the "City"), pursuant to Public Law 94-143, the New York City Seasonal Financing Act of 1975, in the principal amount of Three Hundred and Twenty-Five Million Dollars ($325,000,000) on October 4, 1977 to mature as follows:

$50,000,000 on May 20, 1978
$275,000,000 on June 20, 1978

This loan will be in the form and with the terms and conditions set forth in the form attached hereto.

We hereby represent and certify to the Secretary that said sum is needed as a seasonal borrowing in order that the City may maintain essential governmental services. We further represent and certify to the Secretary that the fiscal year of the City ends on the last day of June in each year.

We hereby further represent and certify to the Secretary that said loan shall be in anticipation of the receipt of the moneys from the State of New York specified in Schedule A hereto to become due in the fiscal year 1977-1978.

We hereby further represent and certify to the Secretary that all prior charges against, other debt issued in anticipation of, and any other existing encumbrance on, such moneys and any anticipated or foreseeable reductions thereof are set forth in said Schedule A hereto.
We hereby further represent and certify to the Secretary the report required by Section 6.11 of the Credit Agreement pursuant to which this loan is requested in the form attached hereto.

Please credit said funds to The Chase Manhattan Bank, N.A., Commissioner of Finance, City of New York, Account #910-4-012878.

Witness our signatures, this 27th day of September 1977.

[Signature]
Mayor

[Signature]
Comptroller

Attest as to the City's Seal:

[Signature]
City Clerk

Approved as to Form:

[Signature]
Corporation Counsel

Approved: New York State Emergency Financial Control Board

by

[Signature]
Certificate of the Mayor and Comptroller
Pursuant to Section 6.11 of the Credit Agreement
In Connection with Proposed Borrowing of
October 4, 1977

The statements and commitments contained in "Certificate of the Mayor and Comptroller pursuant to Section 6.11 of the Credit Agreement" and the additions and revisions thereto contained in the "Certificate of the Mayor and Comptroller pursuant to Sections 3.4 and 3.7 of the Credit Agreement" delivered in connection with the sale by the City of New York on September 19, 1977 of a $250 million Revenue Anticipation Note to the United States of America and attached hereto, are true and correct on the date hereof with the same force as though made on this date, except that:

In a letter to the Deputy Mayor for Finance, the acting City's Bond Counsel tentatively outlined three alternative methods of structuring security provisions believed necessary for a successful public sale of the proposed Revenue Anticipation Notes. This letter has been supplied to the Treasury's General Counsel. Each of the three alternatives would, of course, require State legislation and discussions are now going on between representatives of the City and the Executive and Legislative branches of the State Government toward that end. The Corporation Counsel is looking at the three alternative proposals to determine whether any or all of them would, in his opinion, raise constitutional questions. The City has been meeting with its underwriters (Merrill Lynch and First Boston) on a continuing basis since the last loan request to determine whether they believe that any provisions suggested by bond counsel would provide the basis for a successful public offering, and underwriters have agreed to give a response within the next few days. Once the above parties are agreed on the nature of the required legislation, the City will request that the Legislature be reconvened. (The Legislature is currently in recess.)

City officials are also exploring the possibility of enacting State legislation this Fall which would provide a long range framework for the City's long and short-term borrowing in the public credit markets. The City Comptroller has publicly circulated his proposal to restore the City's access to both long and short-term public credit markets within three years. The principal elements of this plan are:
--bonding out the $800 million State advance

--phasing out capitalized expenses in three years

--financing the City's long-term needs for the next three years largely through MAC issues

--establishing financial safeguards and controls, including an ongoing oversight mechanism.

The proposal could not be implemented without State legislation. City officials currently are reviewing the Comptroller's plan.
September 19, 1977

THE CITY OF NEW YORK

Certificate Delivered Pursuant to Sections 3.4 and 3.7 of the
Credit Agreement Dated as of December 30, 1975

The undersigned certify that they are duly elected or
appointed officers of the City of New York (the "City") holding
the offices set forth under their names below, and that, as
such, they are authorized to execute and deliver this Certifi-
cate on behalf of the City, and further certify as follows:

(1) the representations and warranties contained in
the Credit Agreement by and among the United
States of America and State of New York, the City,
and the New York State Emergency Financial Control
Board, dated December 30, 1975 ("the Credit Agree-
ment"), are true and correct on the date hereof
with the same force as though made on this date;

(2) no default has occurred under the Credit Agree-
ment or any note issued by the City in accord-
ance with the Credit Agreement;

(3) City-retained private bond counsel has questioned
whether under present law bonds can be properly
sold to finance certain so-called expense items
authorized by the Local Finance Law. Assuming the
conclusions of such private bond counsel to be cor-
rect (which the City's Corporation Counsel disputes),
but in no way conceding their correctness, the under-
signed have no reason to believe that the sale of
$846 million principal amount of serial bonds to
certain pension and sinking funds projected for the
City's Fiscal Year 1978 will be adversely affected
by the questions raised by such bond counsel (This
certification shall in no way prevent the City from
selling such serial bonds to finance such expense
items if, at the time, recognized bond counsel has
rendered an opinion with respect to the legality
of financing such expense items);

(4) attached hereto as Exhibit A are true and correct
copies of letters to the Comptroller of the State
of New York and to Bankers Trust Company from the
City of New York and the New York State Emergency
Financial Control Board giving instructions pursuant to Section 6.3 of the Credit Agreement in connection with the loan to be made today under the Credit Agreement; and

(5) the undersigned have no reason to believe that any event has occurred that would result in a material adverse change in the Monthly Forecast of Cash Components now included in the Loan Request dated September 12, 1977.

(6) The statements and commitments contained in the "Certificate of the Mayor and Comptroller pursuant to Section 6.11 of the Credit Agreement" delivered on September 12, 1977 in connection with the sale by the City of New York on September 19, 1977 of a Revenue Anticipation Note for $250 million to the United States of America were true and correct as of September 12th and continue to be true with the same force and effect as though made on September 19, 1977 except as set forth below:

(1) On September 14, 1977, the Secretary of the Treasury of the United States of America advised that he would not make a determination that the First Amendment to the Amended and Restated Agreement was inconsistent with the considerations set forth in Section (a) (2) of P.L. 94236. As a result, the Municipal Assistance Corporation was able to close on its $200 million public offering, a portion of the proceeds of which, will be used to fund the capital reserve fund for the MAC Second Resolution Bonds, and the $819 million of City notes held by the clearinghouse banks and City pension funds were exchanged for MAC Second Resolution Bonds.

(2) On September 14, representatives of the City met with representatives of its underwriter, Merrill Lynch. Merrill Lynch representatives advised the City that because Bond Counsel was unable to give an unqualified opinion that it was possible under current legislation to provide note holders with a paramount security interest in revenues pledged to the payment of the notes, Merrill Lynch was not prepared to go forward with a public offering of such notes. City officials discussed this judgment with representatives of other underwriting firms who concurred that under the circumstances a public offering would not be feasible. On Friday, September 16, 1977 representatives of Merrill
Lynch, First Boston and Salomon Brothers formerly advised City officials that a public offering was not possible in light of Bond Counsel's opinion.

(3) The City also initiated discussions with its underwriters concerning the prospects for and feasibility of a private placement of City Revenue Anticipation notes.

Approved as to form:

W. Bernard Richland
Corporation Counsel
CERTIFICATE OF THE MAYOR AND COMPTROLLER PURSUANT
TO SECTION 6.11 OF THE CREDIT AGREEMENT

The statements and commitments contained in the "Certificate of the Mayor and Comptroller pursuant to Section 6.11 of the Credit Agreement" and the additions and revisions thereto contained in the "Certificate of the Mayor and Comptroller pursuant to Sections 3.4 and 3.7 of the Credit Agreement" delivered in connection with the sale by the City of New York on August 16, 1977 of a $150 million Revenue Anticipation Note to the United States of America and attached hereto, are true and correct on the date hereof with the same force as though made on this date, except that:

1) On August 17, 1977 representatives of the Municipal Assistance Corporation, the clearinghouse banks, the five City retirement systems and the four City Sinking Funds signed the First Amendment to the Amended and Restated Agreement of November 26, 1975. The First Amendment to that Agreement involves, among other provisions, an exchange of the $319 million of City notes held by the clearinghouse banks and the pension funds for MAC Second Resolutions bonds. The taking effect of the First Amendment will resolve the uncertain status of these notes, as described in previous certifications pursuant to Section 6.11 of the Credit Agreement, removing an important impediment to the City's return to the public markets. If the Secretary of the Treasury of the United States of America determines that the First Amendment is not inconsistent with the considerations set forth in Section (a) (2) of P.L. 94-236, the exchange of City notes for MAC bonds will occur on September 14, 1977.

2) The Municipal Assistance Corporation Second Resolution Bonds received investment grade ratings of "A" from Standard and Poors and "Baa" from Moody's. The receipt of these investment grade ratings will facilitate the public sale of $200 million in principal amount of MAC Second Resolution Bonds, as required by the First Amendment to the Amended and Restated Agreement. If the Secretary of the Treasury of the United State of America determines that the First Amendment is not inconsistent with the considerations set forth in Section (a) (2) of P.L. 94-236, the public sale will close on September 14, 1977.
3) The City plans to retain, subject to the approval of any retainer by the Board of Estimate and the Emergency Financial Control Board, the law firm of Wilkie, Farr and Gallagher to act as Bond Counsel for the proposed public offering of City notes. That firm currently is researching the legal considerations involved in a City public offering, the provisions of which have been described in previous "Certifications Pursuant to Section 5.11 of the Credit Agreement."

4) Bond Counsel has questioned the authority of the City under State law to create a security interest in specific revenues by assigning and pledging those revenues solely for the benefit of certain holders of Revenue Anticipation Notes of the City. Bond Counsel has advised that if appropriate state legislation were enacted, such a security interest could be validly created and would not violate the State's Constitution. Bond Counsel presently believes that creation of a trust fund, to be held by a corporate trustee, into which those revenues would be paid would be the best way to create such a security interest. However, the City Corporation Counsel has suggested that such legislation might be invalid under the State's Constitution. Bond Counsel and Corporation Counsel are presently working to develop a specific legislative proposal that would satisfactorily address Bond Counsel's recommendations and Corporation Counsel's concerns.
CERTIFICATE OF THE MAYOR AND CONTROLLER
PURSUANT TO SECTION 6.11 OF THE CREDIT AGREEMENT

Submitted August 16, 1977

The statements and commitments contained in the "Certificate of the Mayor and Controller pursuant to Section 6.11 of the Credit Agreement" delivered in connection with the sale by the City of New York on July 29, 1977, of a $200,000,000 Revenue Anticipation Note to the United States of America and attached hereto, are true and correct on the date hereof with the same force as though made on this date, except that:

1. The rating agencies' response to the Municipal Assistance Corporation's request for an investment grade rating on its proposed $75 million issue of Second Resolution Banks, originally expected on August 2, 1977, has not yet been received. They have requested some additional information from MAC. Their response is expected shortly.

2. A meeting was held on August 3, 1977 among legal representatives of the clearinghouse banks, the Corporation Counsel, some of the Pension Systems and MAC representatives for further discussions of the proposed debt restructuring. Although significant progress has been made, no final agreement is in place as of this date.

3. The City has not yet retained Bond Counsel for the proposed public issuance but discussions are continuing toward this end.
CERTIFICATE OF THE MAYOR AND COMPTROLLER
PURSUANT TO SECTION 6.11
OF THE CREDIT AGREEMENT
Submitted July 28, 1977
Section 6.11 of the Credit Agreement provides that:

The City shall use its best efforts, on and after July 1, 1977, to meet the seasonal borrowing needs of the City without resort to borrowings under this agreement.

In April 1977, the Comptroller of the City requested Merrill Lynch to advise the City on how best to obtain seasonal financing on public credit markets for fiscal year 1978. After review, Merrill Lynch advised that a significant amount of the City's seasonal needs might be financed through public offerings of secured Revenue Anticipation Notes. However, because of the uncertainties regarding the City's budget and financial plan for FY 1978, public offerings in July were not feasible. Specifically, the uncertain status of the $319 million of City notes held by clearinghouse banks and pension funds appear to preclude re-entry to short-term credit markets at this time. This judgment was confirmed in discussions between City officials and other leading underwriters, including Bank of America, Salomon Brothers, First Boston, and Goldman Sachs.

On June 28, the Comptroller and other City officials met with representatives of Merrill Lynch, Chase Manhattan, Citibank, Bankers Trust, Morgan Guaranty, Salomon Brothers, First Boston, Goldman Sachs, Bache Halsey Stuart Shields, Chemical Bank, Bank of America and Manufacturers Hanover to discuss the City's seasonal financing plans and the possibility of the City regaining access to public short term credit markets. This meeting confirmed the earlier advice received from Merrill Lynch.

Since the June 28, 1977 meeting, City representatives discussed with representatives of Merrill Lynch, the various problems that preclude immediate re-entry to the short-term credit markets. In these discussions, the representatives of Merrill Lynch advised the City to resolve the uncertain status of the $319 million of City notes held by the clearinghouse banks and the pension funds prior to re-entry to the private credit markets. The City has been negotiating with the clearinghouse banks and the pension funds for the purpose of resolving the status of these notes. In addition, the representatives of Merrill Lynch advised the City to retain a nationally recognized bond counsel as co-counsel specifically for the City's public offerings. The City expected to have retained such counsel by the end of July.
Since July 18, 1977, the date of the previous loan closing, the City has made further progress in preparation for its re-entry to the public markets.

With regard to the $319 million of City notes held by the clearing-house banks and the pension systems, and previously identified as a principal obstacle to the City's re-entry to the public markets, there have been the following additional developments.

The Board of the Municipal Assistance Corporation has approved a plan to exchange Second Resolution Municipal Assistance Corporation bonds with an average life of 11½ years from 9/1/77 for these notes. The interest rate on the notes will be governed by the interest rate that will have to be paid on a $75 million issue of the same maturities that the Municipal Assistance Corporation intends to bring to the market on a competitive bid basis by the end of August.

The second part of the MAC plan would involve the exchange of $1.7 billion of Municipal Assistance Corporation 6% bonds (with an average maturity of 4.5 years) currently held by the clearing-house banks and pension systems for 7½% First Resolution MAC bonds with 14½ year average maturities and no principal payments until 1986.

The Municipal Assistance Corporation has discussed this plan with representatives of the banks and the employee pension funds. Their initial reaction to the MAC proposal has been favorable.

The first step toward implementing the plan was taken when MAC officials made a preliminary presentation to the rating agencies on July 28, 1977, for the purpose of requesting an investment grade rating for its $75 million issue of Second Resolution bonds. The rating agencies will provide a preliminary indication of their response on August 2, 1977. A final decision by the rating agencies will be dependent upon the presentation of a MAC official statement.
MAC expects to complete its public offering by the end of August if a favorable rating is obtained and if all parties to the Amended and Restated Agreement of November 26, 1975 agree to certain amendments thereto.

The City now expects to retain a recognized bond counsel specifically for the City's public offering by August 5, 1977.

In addition, the City has retained Merrill Lynch, Pierce, Fenner and Smith and The First Boston Corporation as Managing Underwriters to assist it in preparing and selling a new series of revenue anticipation notes.

These parties and their counsel, Brown, Wood, Ivey, Mitchell, and Petty, have commenced the formulation of a plan for new City revenue anticipation notes, with terms satisfactory to the underwriters. The underwriters, their counsel, the City and its Corporation Counsel are researching appropriate options for strengthening the security provisions in the contemplated City note, including the establishment of a segregated account, the proceeds of which would be used solely to retire the revenue anticipation notes.

Underwriters' counsel and Lord Day and Lord, special counsel to the City, also have begun work on modifications of the City's Official Statement to put it in a form and current content suitable for a public issue.

During August the Managing Underwriters expect to discuss the proposed security with rating agencies, leading New York City banks, then leading out-of-state banks, and other financial institutions and corporations to elicit reactions to the proposed security. These conversations, along with a final resolution of the $819 million in City notes held by the banks and pension funds discussed above, should facilitate the City's return to the public markets.

"The City will attempt a public offering within six weeks after the completion of the MAC debt restructuring, assuming that: 1) there are no legal obstacles to the City creating new security or similar provisions that are required to make the City note issue possible; 2) the City receives an investment grade rating on the notes; 3) the City and its financial advisers agree that a City note issue can be completed within this period. If the City and its financial advisers agree that a City note issue cannot be completed within this time period, the City will provide a written explanation to the Treasury Department explaining the obstacles that preclude a note issue, the steps that the City is taking to remove these obstacles and an estimated date on which the City expects the removal of these obstacles to be completed."
Acting upon the advice of Merrill Lynch and others, the City has initiated a program to prepare for public note offerings subsequent to July. This program involves:

-- Design of New Security Features for City Notes.

To increase the attractiveness of City Notes to investors, the City has designed new security features outlined in Attachment A. The features of these City notes will depend upon an appropriate resolution of constitutional and legal requirements and questions. Based on this design, Merrill Lynch is working on a detailed draft of a new security. It is anticipated that the Federal Government will release certain excess collateral pledged for federal loans as may be permitted or required to enhance the marketability of the City’s public offerings.

-- Restructuring of City Debt.

The unresolved status of $810 million of City Notes held by clearinghouse banks and pension funds still is a major obstacle to a successful public offering. The previously discussed plan is designed to remove this impediment.

-- Participation of Major Underwriters.

The participation of large New York City banks and other major underwriters should increase the probability of a successful note offering. The City has asked the major New York City banks to participate in underwriting seasonal financings in excess of $500 million.

These underwriters advised that uncertainties regarding City finances, particularly the status of the $810 million of City notes held by the clearinghouse banks and the pension funds, preclude immediate public offerings. A number of underwriters indicated that progress towards the resolution of the status of City notes held by banks and pension funds was an essential prerequisite to a successful public offering.

-- Continued Fiscal Discipline and Financial Control.

Critical to the success of any public offering is a demonstration of the City’s continued commitment to fiscal discipline and proper financial control. To this end, the City has submitted its financial plan to the EFCB, continued to phase expense items out of the capital budget, implemented a new accounting and budgetary control system, selected an independent auditor, improved its long range financial planning and promulgated an official statement.
Key Security Provisions and Terms for Revenue Anticipation Notes to be Sold to the Public by the City of New York.

The City will enter into a trust agreement with a trustee bank which will provide, among other provisions, the following terms:

A. The Notes will constitute general obligations of the City of New York to which its full faith and credit and taxing power are pledged.

B. The City will pledge the revenues from specific Federal and State Welfare payments, State Aid to Education, or another appropriate source to be agreed upon (the "Pledged Payments") as security for the timely payment of principal and interest on the Notes.

C. Prior to the offering of the Notes, the Mayor and Comptroller will issue a certificate which will contain the expected amount or amounts (the "Expected Amount") of the Federal Welfare or other payments pledged to secure the Notes and which will contain the statement that the Expected Amount will be sufficient to pay when due the principal and interest on the Notes and that the Expected Amount of the Pledged Payments will be as an amount equal to, not less than 1.25 times the amount of principal and interest on the Notes.

D. The Pledged Payments will be paid directly into a special account (the "Collateral Account") with the Trustee.

E. The Trustee may invest the monies held in the collateral account only in direct obligations of, or obligations secured by, the United States Government.

F. If the Expected Amount of Pledged Payments is not on deposit in the Collateral Account on the Expected Date or within 5 business days thereafter, the City will immediately deposit into the Collateral Account monies sufficient to fund such account to the Expected Amount.

G. The Notes will be issued in coupon or fully registered form as multiples of $5,000.
II. The Notes will mature prior to June 30 in the City's fiscal year during which they were initially issued.

III. The City will prepare an Official Statement in form and content satisfactory to the Underwriters and their counsel.

IV. The Official Statement will be signed by the Mayor and Comptroller of the City and any other appropriate City officials, as determined necessary by counsel to the Underwriters.

V. The City will employ a nationally recognized bond counsel for the Note sale and such counsel will provide the Underwriters with an unqualified legal opinion on the Notes.

All of the above is subject to the resolution of constitutional and legal issues.
**SCHEDULE A**

**Tentative Borrowing and Repayment Schedule for Federal Loans**

(In Millions)

<table>
<thead>
<tr>
<th>Date of Borrowing</th>
<th>Maturity Date</th>
<th>Amount</th>
<th>Total Borrowed To Date</th>
<th>Type</th>
<th>Due Date</th>
<th>Amount</th>
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<tr>
<td>July 5, 1977</td>
<td>April 20, 1978</td>
<td>$300</td>
<td>$300</td>
<td>State Advance</td>
<td>April 15, 1978</td>
<td>$400</td>
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<td></td>
<td>(April 20, 1978)</td>
<td>100</td>
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<td>Aid to Education</td>
<td>April 15, 1978</td>
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<td></td>
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<td>Federal &amp; State Welfare</td>
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<td>August 16, 1977</td>
<td>(April 20, 1978)</td>
<td>50</td>
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<td>State Aid to Education</td>
<td>May 15, 1978</td>
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<tr>
<td></td>
<td>(May 5, 1978)</td>
<td>100</td>
<td>900</td>
<td>State Advance</td>
<td>May 15, 1978</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>(May 20, 1978)</td>
<td>50</td>
<td></td>
<td>State Aid to Education</td>
<td>June 15, 1978</td>
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<tr>
<td></td>
<td>(June 20, 1978)</td>
<td>275</td>
<td>1,475</td>
<td>State &amp; Federal Welfare</td>
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<td>October 4, 1977</td>
<td>(June 20, 1978)</td>
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<td>1,675</td>
<td>Welfare Settlement</td>
<td>June 30, 1978</td>
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<td>State Revenue Sharing*</td>
<td>June 30, 1978</td>
<td>52.5</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Sales Tax**</td>
<td>June 30, 1978</td>
<td>104</td>
</tr>
</tbody>
</table>

$2,701

Less MAC Takeout 275

Less MAC Takeout of $195 Million

Less MAC Takeout of $80 Million

**NOTE:** Where the maturity date falls on a weekend, the note will be redeemed on the first banking day thereafter.
<table>
<thead>
<tr>
<th></th>
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<tr>
<td>State Advance</td>
<td>$800.0</td>
<td>$800.0</td>
<td>$800.0</td>
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<tr>
<td>Sales Tax***</td>
<td>287.2*</td>
<td>445.1*</td>
<td>791.1</td>
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<tr>
<td>Stock Transfer Tax</td>
<td>194.2</td>
<td>269.8</td>
<td>184.8</td>
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<tr>
<td>Per Capita Aid</td>
<td>320.0*</td>
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<td>Social Services - State**</td>
<td>737.2</td>
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<td>Aid to Education - State</td>
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<td>June 30 Welfare Settlement</td>
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<tr>
<td>Motor Fuel Tax</td>
<td>41.6</td>
<td>41.9</td>
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*Net of MAC Takeout
**Net of June 30 Settlement
***Does not include final June payment due after MAC deducts its takeout.
Encumbrances Contingent on City Failure to Make Payments Required by Statute

Various State statutes provide that in the event of the failure or inability of the City to make the required payments, there shall be deducted from certain State aid otherwise payable to the City, as follows:

1. Payment to the City University Construction Fund. Per capita State aid (or State Revenue Sharing) is provided as statutory security in the event the City fails to make certain payments to the Fund. The amount of such payment is $23.0 million for fiscal year 1977-1978.

2. Payment to the Housing Development Corporation. Per capita State aid is provided as statutory security in the event the City fails to make certain payments to the Corporation. The amount of such payments for fiscal year 1977-1978 is estimated to be zero. The maximum liability of the City to the Corporation should the Capital Reserve Fund of the Corporation be reduced to zero, would be $18.9 million for 1977-1978 fiscal year (assuming the Corporation issues no further debt obligations).

3. Payment to the Transit Authority. Per capita State aid is provided as statutory security in the event the City fails to make certain payments to the Authority. The amount of such payment is $16.0 million for fiscal year 1977-1978.

4. Re-Payment to the State of $100 million advance Pursuant to Chapter 3, Laws of 1974. Per capita State aid is provided as statutory security in the event the City fails to make certain payments to the State. The annual required repayment is $20 million in fiscal year 1977-1978.

5. Payment to the Educational Construction Fund. State aid for education is provided as statutory security in the event the City fails to make certain payments to the Fund. The amount of such payments is estimated to be zero for fiscal year 1977-1978. The maximum liability of the City is $3.6 million for such fiscal year (assuming the Fund issues no further debt obligations), if its Capital Reserve Fund should be reduced to zero.

6. Payment to the Housing Finance Agency. State aid pursuant to Social Services Law, §368* is provided as statutory security in the event the City fails to make certain payments to the Agency for health facilities. The amount of such payments is approximately $35 million for fiscal year 1977-1978.

*Medical Assistance Fund
The Financial Plan provides for the payment in full of all the required amounts as described above in paragraphs 1 through 6.

7. Payment to Holders or Owners of Bonds or Notes Issued for Education Purposes.

State aid for education is provided as statutory security in the event the City fails to make payments of principal and interest to holders or owners of bonds or notes issued for school purposes. The City Budget for 1977-1978 appropriates funds to pay all principal and interest on all such bonds due this fiscal year.

8. Payment to the Police Pension Fund.

Chapter 182 of the Laws of 1965 provides for an annual payment of $500,000 to the Police Pension Fund to be made out of the State per capita aid to the City. This payment is provided for in the City's financial plan.
## CITY OF NEW YORK, OFFICE OF THE COMPTROLLER
### MONTHLY FORECAST OF MAJOR COMPONENTS

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<tr>
<th>OPENING CASH BALANCE</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
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<tr>
<td><strong>I. EXPENSE BUDGET (CY)</strong></td>
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<td></td>
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<td><strong>REVENUES</strong></td>
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### Projected Cash Flow and Financing Plan
FY 1979
($ Million)

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</table>
I hereby certify that each of the authorizations attached as exhibits hereto, and described below, is a true and correct copy of the original of such authorization and of the whole thereof on file in the office of the City Clerk of the City of New York, and that no document revoking such authorization is now on file in this office.


Exhibit B: Authorization, consisting of one page, executed by HARRISON J. GOLDIN, Comptroller of the City of New York, dated December 17, 1976, delegating certain powers to Sol Lewis, Third Deputy Comptroller.

Dated: October 4, 1977

__________________________
DAVID DINKINS
CITY CLERK
THE CITY OF NEW YORK
Office of the Mayor
New York, N.Y. 10007

EXECUTIVE ORDER NO. 55
MARCH 29, 1976

DELEGATION OF POWERS OF THE FINANCE BOARD

WHEREAS, the Mayor of the City of New York, pursuant to Section 8, subdivision c, of the City Charter, possesses the powers of the Finance Board of the City; and

WHEREAS, the Local Finance Law, by various of its provisions, authorizes the Finance Board to delegate certain of its powers to the Comptroller of the City of New York.

NOW, THEREFORE, pursuant to the powers vested in me by the City Charter and the Local Finance Law, it is hereby resolved and ordered as follows:

Section 1. A. The Comptroller is hereby delegated the following powers of the Finance Board:

1. Pursuant to Section 30.00 of the Local Finance Law, the power to authorize the issuance of bond anticipation notes, tax anticipation notes, revenue anticipation notes or urban renewal notes of the City or the renewals thereof;

2. Pursuant to Section 50.00 of the Local Finance Law, the power to prescribe the terms, form and contents of every or any type of bond or note of the City; and
3. Pursuant to Section 56.00 of the Local Finance Law, all powers and duties which are vested in the Finance Board pursuant to Sections 57.00, 58.00, 59.00, 60.00, 62.00 and 63.00 of the Local Finance Law, and any other powers and duties which the Finance Board may have pertaining or incidental to the sale and issuance of obligations of the City.

B. The powers hereby delegated shall be subject to any limitations imposed by any applicable law, including the New York State Financial Emergency Act for the City of New York, and such powers shall be exercised in accordance with Section 2 hereof.

§ 2. A. The following definitions shall apply herein:

1. "Obligations" means bonds and notes of the City.

2. "Long-Term Obligations" means serial bonds and sinking fund bonds or corporate stock certificates of the City issued in definitive form.

3. "Interim Long-Term Obligations" means bonds of the City issued pursuant to Section 62.00 of the Local Finance Law, pending the printing or engraving and delivery of corresponding Long-Term Obligations.

B. Obligations shall be executed in the following manner:

1. The seal of the City shall be impressed upon or the facsimile seal of the City imprinted upon each Obligation, and each Obligation shall be attested by the City Clerk or by the person duly authorized to act in his stead in accordance with Section 32, subdivision b, of the City Charter.
§ 3. The delegation by Robert F. Wagner, the then Mayor, exercising the powers of a Finance Board, to the Comptroller, dated November 21, 1963, is hereby revoked, provided, however, that nothing in this Executive Order shall be construed to affect the validity of any act performed pursuant to such delegation prior to the date hereof.

§ 4. This Executive Order shall take effect immediately and remain in effect until revoked by a subsequent Executive Order.

[Signature]

ABRAHAM D. BEAME
MAYOR
WHEREAS, it is necessary and desirable to amend Executive Order No. 55, dated March 29, 1976, entitled "Delegation of Powers of the Finance Board".

NOW, THEREFORE, pursuant to the powers vested in me as Mayor of the City of New York by the City Charter and the Local Finance Law, and in the exercise of the powers of the Finance Board of the City, it is hereby ordered as follows:

Section 1. Section three of Executive Order No. 55, dated March 29, 1976, is hereby amended as of March 29, 1976, to read as follows:

"§ 3. The delegation by Robert F. Wagner, the then Mayor, exercising the powers of a Finance Board, to the Comptroller, dated February 21, 1963 is hereby revoked, provided, however, that nothing in this Executive Order shall be construed to affect the validity of any act performed pursuant to such delegation prior to the date hereof."
§ 2. Executive Order No. 55, dated March 29, 1976, shall be construed to read as if section three thereof were identical to such section three as amended by section one hereof. All acts performed pursuant to Executive Order No. 55, dated March 29, 1976, and which would be valid under such construction are hereby affirmed and ratified.

§ 3. This Executive Order shall take effect immediately and remain in effect until revoked by a subsequent Executive Order.

ABRAHAM D. BEAME
MAYOR
December 17, 1976

SUBJECT: Authorization to Act for The Comptroller, City of New York, Relating to the Issuance of Notes and Bonds of The City of New York

FROM: Harrison J. Goldin, Comptroller, City of New York

Section 1. Pursuant to Section 94 of the New York City Charter, I hereby designate and authorize Sol Lewis, Third Deputy Comptroller, whose specimen signature appears below, pursuant to, and at my instance, to represent, act and sign for and on my behalf, effective immediately: (1) all Notes and Bonds of the City of New York, together with all supporting papers, documents or certificates in connection therewith; (2) any agreement between the Municipal Assistance Corporation for the City of New York and the City of New York and any supporting paper, document or certificate in connection therewith; and (3) any other papers, documents, agreements or materials relating to the issuance of notes and bonds by the City of New York.

Section 2. Pursuant to Section 94 of the New York City Charter, I hereby revoke an authorization heretofore made by me on July 12, 1976 in favor of Sol Lewis entitled "Authorization To Act For The Comptroller, City of New York," provided, however, that any action taken by Sol Lewis pursuant to such authorization prior to the effective date of this new authorization shall be valid and is hereby ratified and confirmed.

Section 3. This authorization shall remain in effect until revoked.

SOL LEWIS
Third Deputy Comptroller
Specimen Signature

HARRISON J. GOLDIN
Comptroller
City of New York
CERTIFICATE OF THE SECRETARY

October 4, 1977

The undersigned hereby certifies that the Resolution of the Municipal Assistance Corporation For The City of New York (the "Corporation") attached hereto is a true and correct copy of the Resolution duly adopted by the Finance Committee of the Board of Directors of the Corporation at a meeting duly called and held on September 29, 1977, and that the same is in full force and effect on the date hereof and has not been repealed, modified or amended.

Stephen J. Weinstein
Deputy Executive Director
and Secretary

Term of Office: Indefinite
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Extract of Minutes of a September 29, 1977 Meeting
of the Finance Committee

Following a review by the Committee members of the loan
proposals from the Comptroller of The City of New York (the "City")
of September 28, 1977, it was, upon motion duly made, seconded,
and unanimously carried:

RESOLVED, that, pursuant to the provision of The
Municipal Assistance Corporation For The City of
New York Act, as amended (the "Act") the issuance
and sale by The City of New York (the "City") in
October 1977, of $325,000,000 aggregate principal
amount of short-term obligations of the City to the
United States of America or any agency thereof, at
an interest rate determined in accordance with the
provisions of the New York City Seasonal Financing
Act of 1975, are hereby approved; and be it

FURTHER RESOLVED, that notice of such issuance
provided by the Comptroller of the City is hereby
deemed adequate and that the foregoing limitation
is not so substantial as effectively to constitute
a waiver of any of the conditions of Section 3038
of the Public Authorities Law.
CERTIFICATE OF THE SECRETARY

October 4, 1977

The undersigned hereby certifies that the Resolution of the Municipal Assistance Corporation For The City of New York (the "Corporation") attached hereto is a true and correct copy of the Resolution duly adopted by the Board of Directors of the Corporation at a meeting duly called and held on December 29, 1975, and that same is in full force and effect on the date hereof and has not been repealed, modified or amended.

Stephen J. Weinstein
Deputy Executive Director
and Secretary

Term of Office: Indefinite
RESOLVED, that the Finance Committee is hereby authorized on behalf of the Corporation to take any action required to be taken by the Corporation pursuant to section 3038.9d of the Public Authorities Law, including, without limitation, a waiver or relaxation of any notice requirement therein, with regard to the issuance of short-term obligations by the City of New York to the United States pursuant to the New York City Seasonal Financing Act of 1975, provided that such issuance is in accord with the proposed Credit Agreement between the City and the United States now before this meeting; and provided, further, that such issuance shall be consistent with the 3-year Financial Plan for the City of New York.
NEW YORK STATE
EMERGENCY FINANCIAL CONTROL BOARD

Certificate

Re: Revenue Anticipation Notes of the City of New York dated October 4, 1977 and issued to the Secretary of the Treasury of the United States of America in the amounts of $50,000,000 and $275,000,000 respectively.

I, the undersigned Chairman of the New York State Emergency Financial Control Board (the "Board") hereby certify to the Secretary of the Treasury of the United States of America that the Resolution of the Board attached hereto is a true and correct copy of the Resolution of the Board duly adopted at a meeting of the Board held on September 30, 1977 and that the same is in full force and effect on the date hereof and has not been repealed, modified or amended.

WITNESS my signature this 4th day of October, 1977.

[Signature]
Chairman, New York State Emergency Financial Control Board
RESOLVED, that pursuant to the provisions of the New York State Financial Emergency Act for the City of New York, the New York State Emergency Financial Control Board hereby approves the issuance of Revenue Anticipation Notes to the Secretary of the Treasury of the United States of America in accordance with the terms and conditions indicated below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount to be Issued</td>
<td>$325,000,000</td>
</tr>
<tr>
<td>Type of Issue</td>
<td>New York City Revenue Anticipation Notes in anticipation of the receipt of Moneys from the State of New York payable on or before June 30, 1973.</td>
</tr>
<tr>
<td>Date of Issue</td>
<td>On or about October 4, 1977</td>
</tr>
<tr>
<td>Rate of Interest</td>
<td>To be determined in accordance with Section 2.4 of the Credit Agreement duly approved by the Board on December 30, 1975.</td>
</tr>
<tr>
<td>Price</td>
<td>Par</td>
</tr>
<tr>
<td>Payee and Purchaser</td>
<td>Secretary of the Treasury of the United States of America pursuant to Public Law 94-143, the New York City Seasonal Financing Act of 1975.</td>
</tr>
<tr>
<td>Maturity</td>
<td>The first $50 million to be borrowed shall mature May 20, 1978 and the remainder of the amount to be borrowed shall mature June 20, 1978; or, upon demand by the Secretary of the Treasury, and subject to redemption prior to maturity at any time without notice.</td>
</tr>
</tbody>
</table>
FURTHER RESOLVED, that the aforesaid Revenue Anticipation Notes shall be substantially in the form and with the terms and conditions substantially as set forth in the form of Note attached hereto.

FURTHER RESOLVED, that the Loan Requests of the City to be submitted in connection with said borrowings and the Borrowing and Payment Schedules prepared by the City for transmittal with each Loan Request, pursuant to Sections 2.8 and 3.1 of the Credit Agreement, (copies of the form of Loan Requests and the Borrowing and Repayment Schedules have been submitted to the Control Board with this resolution), are hereby approved in the form submitted, with such changes, omissions, insertions and revisions as the City and the Secretary of the Treasury shall agree upon, and that the Chairman or the Executive Director or any member of the Control Board is hereby authorized to execute and deliver the approval of the Control Board with respect thereto, upon determination by the City of the amount of each request, such amounts not to exceed the limits specified above; provided, however, that approval by the Control Board of the borrowing and repayment schedules and/or other schedules supporting the loan request does not constitute a representation or warranty as to the accuracy of such schedules.
THE CITY OF NEW YORK

STATE OF NEW YORK

UNITED STATES OF AMERICA
October 4, 1977

Honorable Abraham D. Beame
Mayor of the City of New York

Dear Mr. Mayor:

Pursuant to Section 30.00 of the Local Finance Law, I herewith transmit Certificate No. 6-78, which is to be filed with you, authorizing the issuance pursuant to the provisions of Section 25.00 of the Local Finance Law of Revenue Anticipation Notes for moneys due from the State dated October 4, 1977, in the amounts of $50,000,000 and $275,000,000 respectively.

Sincerely,

Sol Lewis
Third Deputy Comptroller
THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MUNICIPAL BUILDING
NEW YORK, N.Y. 10007

Harrison J. Goldin
Comptroller

CERTIFICATE NO. 6-78

AUTHORIZING THE ISSUANCE OF REVENUE ANTICIPATION NOTES

I, SOL LEWIS, THIRD DEPUTY COMPTROLLER OF THE CITY OF NEW YORK, DO HEREBY CERTIFY that, on March 29, 1976 by Executive Order No. 55, the Mayor of The City of New York, exercising the powers of a finance board, pursuant to Section 8(c) of the New York City Charter effective March 29, 1976, granted to the Comptroller pursuant to Section 30.00 of the Local Finance Law, the power to authorize the issuance of Revenue Anticipation Notes, which authority is still in force and effect, and has not been modified, amended or revoked except by Executive Order No. 62 dated July 19, 1976 which amends Section 3 of Executive Order No. 55 as of March 29, 1976; and I further

CERTIFY that, on December 17, 1976, the Comptroller of the City of New York, pursuant to Section 94 of the New York City Charter, designated and authorized Sol Lewis, Third Deputy Comptroller of The City of New York to sign all Notes and Bonds of The City of New York, together with all supporting papers, documents and certificates prepared in connection therewith; and I further

CERTIFY that, in accordance with such authority and pursuant to the provisions of Section 25.00 of the Local Finance Law, I have authorized the issuance of Revenue Anticipation Notes as hereinbelow stated, and prescribed the terms, form and contents thereof, which Revenue Anticipation Notes are to be issued in anticipation of the receipt of the moneys from the State as hereinbelow stated which are due and payable in the fiscal year 1977-1978; the amount thereof collected or received, the balance thereof against which said Revenue Anticipation Notes may be issued, the amount of such Notes to be issued hereunder and the amount of notes outstanding is as follows:
(In Millions)

<table>
<thead>
<tr>
<th>Type of Revenue</th>
<th>Estimated Amount of Revenues Due in 1977-1978</th>
<th>Collections to 7/1/77</th>
<th>Notes Outstanding</th>
<th>Balance Against Which Notes May Be Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Advances</td>
<td>$800.0</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Aid to Education</td>
<td>701.0</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>State &amp; Federal Welfare</td>
<td>498.0</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$104</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>54</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Per Capita Aid</td>
<td>529</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less MAC Takeout</td>
<td>687</td>
<td>275</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net of MAC Takeout: 412.0
Motor Fuel Tax: 15.0

$2,426.0

-0-

$1,150.0

$1,276

and I further

CERTIFY that the aggregate principal amount of the Revenue Anticipation Notes to be issued hereunder is $325,000,000 as follows:

<table>
<thead>
<tr>
<th>Date of Issuance</th>
<th>Date of Maturity</th>
<th>Amount Authorized</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 4, 1977</td>
<td>Upon written demand to the Mayor and the Comptroller of the City of New York or on May 20, 1978, whichever is earlier; subject to prior redemption.</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>October 4, 1977</td>
<td>Upon written demand to the Mayor and the Comptroller of the City of New York or on June 20, 1978, whichever is earlier; subject to prior redemption.</td>
<td>$275,000,000</td>
</tr>
</tbody>
</table>

and I further
CERTIFY that the proceeds of these Notes are to be used to meet expenditures under appropriations duly made by The City of New York; that said Revenue Anticipation Notes herein authorized to be issued are not issued in renewal of any other Note or Notes; and that the date of maturity of such Notes does not extend beyond the close of the applicable period provided by Section 25.00 of the Local Finance Law for the maturity of such Notes;

and I further

CERTIFY that the proceeds of said Revenue Anticipation Notes shall be used only for the purposes for which said moneys were estimated as set forth in the 1977-1978 Expense Budget of the City of New York adopted on June 1, 1977 as duly modified to the date of this Certificate by notice and publication in the City Record pursuant to the terms of Section 124 of the New York City Charter as amended to the date hereof;

and I further

CERTIFY that said Revenue Anticipation Notes hereby authorized shall contain the recital of validity prescribed by Section 52.00 of the Local Finance Law and shall be a general obligation of the City of New York, and the faith and credit of the City of New York is hereby pledged to the punctual payment of the principal of and interest on said Revenue Anticipation Notes;

and I further

CERTIFY that said Revenue Anticipation Notes shall be executed in the name of The City of New York by its Comptroller or his Deputy and shall have the corporate seal of The City of New York affixed thereto and attested by its City Clerk or his Deputy.

Dated: October 4, 1977

[Signature]

Third Deputy Comptroller
OFFICE OF THE MAYOR
CHIEF CLERK'S CERTIFICATE

I, William J. Leonard, Deputy Chief Clerk, Office of the Mayor of the City of New York (the "City"), in the State of New York, HEREBY CERTIFY that the foregoing is a true and correct duplicate original of Certificate No. 6-78 of the Third Deputy Comptroller acting pursuant to powers delegated to him by the Comptroller of the City of New York and the same is a true and complete copy of said Certificate filed with the Mayor acting as the finance board of the City pursuant to Section 8(c) of The New York City Charter in the office of Chief Clerk, Office of the Mayor, on October 4, 1977 and

I FURTHER CERTIFY that no Executive Order, letter or other document signed by the Mayor of The City of New York electing to reassume any of the powers or duties delegated to the Comptroller of The City of New York and mentioned in said Certificate, or in any way amending, modifying or revoking the same has been filed in the Office of the Mayor of The City of New York.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Mayor's seal of said City this 4th day of October 1977.

[Signature]
Deputy Chief Clerk
THE CITY OF NEW YORK
CITY CLERK'S CERTIFICATE

I, DAVID DINKINS, City Clerk of The City of New York, in the State of New York, HEREBY CERTIFY that the foregoing is a true and correct duplicate original of Certificate No. 6-78 of the Third Deputy Comptroller of The City of New York and the same is a true and complete copy of said Certificate filed in my office as City Clerk on October 4, 1977.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said City this 4th day of October 1977.

[Signature]

City Clerk
DEBT STATEMENT OF THE CITY OF NEW YORK
PURSUANT TO ART. 8, SEC. 12 OF THE
NEW YORK STATE CONSTITUTION AND
SECTION 3038(9) OF THE PUBLIC AUTHORITIES
LAW ('PAL'), AS AMENDED JULY 19, 1977,
IN CONNECTION WITH THE ISSUANCE OF
CERTAIN OF ITS OBLIGATIONS DATED
OCTOBER 4, 1977 IN THE AGGREGATE
PRINCIPAL AMOUNT OF $325,000,000

(In Millions)

Debt Limit Pursuant to
Subdivision (a) of Section 3038(9)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term debt outstanding (Open of Business) on October 4, 1977</td>
<td>$5,556.8</td>
</tr>
<tr>
<td>Less short-term debt retired on October 4, 1977</td>
<td>-0-</td>
</tr>
<tr>
<td>Plus short-term debt issued on October 4, 1977</td>
<td>325.0</td>
</tr>
<tr>
<td>Short-term debt outstanding (Close of Business) on October 4, 1977</td>
<td>5,881.8</td>
</tr>
<tr>
<td>Plus total notes and bonds issued on or prior to October 4, 1977 by the Municipal Assistance Corporation for the City of New York</td>
<td>8,958.1</td>
</tr>
<tr>
<td>Less notes and bonds of Municipal Assistance Corporation refunded, renewed, or cancelled</td>
<td>$3,278.9</td>
</tr>
<tr>
<td>redeemed and paid</td>
<td>3,799.7</td>
</tr>
<tr>
<td></td>
<td>11,040.2</td>
</tr>
<tr>
<td>Less notes and bonds deemed to have been paid pursuant to the provisions of any contract with noteholders or bondholders</td>
<td>-0-</td>
</tr>
<tr>
<td></td>
<td>11,040.2</td>
</tr>
<tr>
<td>Less short-term obligations held by the Municipal Assistance Corporation on October 4, 1977</td>
<td>4,236.2</td>
</tr>
<tr>
<td></td>
<td>$6,804.0</td>
</tr>
</tbody>
</table>

Debt Limit pursuant to Sec. 3038(9) Subdivision (a) as amended:

FY 1978

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Limit</td>
<td>$6,600</td>
</tr>
<tr>
<td>Plus 25% of Base</td>
<td>1,650</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,250</strong></td>
</tr>
</tbody>
</table>
Debt Limit Pursuant to Subdivision (b) of Section 3038(9) As Amended July, 1977

(In Millions)

Short-term debt outstanding (Open of Business) on October 4, 1977 $ 5,556.8

Minus short-term debt retired on October 4, 1977 0

Plus short-term debt issued on October 4, 1977 325.0

Short-term debt outstanding (Close of Business) on October 4, 1977 5,881.8

Less City Bond Anticipation Notes outstanding on October 4, 1977 1,059.2

City short-term debt subject to limit on October 4, 1977 4,822.6

Plus total notes and bonds issued on or prior to October 4, 1977 by the Municipal Assistance Corporation for the City of New York 8,958.1

Less notes and bonds of the MAC which have been refunded or renewed 3,278.9

Less notes or bonds issued by the MAC in an amount equal to the principal amount of bond anticipation notes of the City acquired by the Corporation (other than those bond anticipation notes acquired in exchange for other City bond anticipation notes) 1,013.8

Less City short-term obligations held by the MAC for the City of New York on October 4, 1977, other than bond anticipation notes 3,222.4

Less City short-term obligations issued and payable within the same fiscal year 6,265.6

Total (which shall not exceed $5,000.0*) 1,475.0 $ 4,790.6

*Base Debt Limit:

Plus Resolution of the Board of Directors adopted on November 6, 1975 by the MAC for the City of New York 500.0

$5,000.0

Dated: October 4, 1977

Third Deputy Comptroller
CERTIFICATE OF THE SECRETARY

October 4, 1977

The undersigned hereby certifies that the Resolution of the Municipal Assistance Corporation For the City of New York (the "Corporation") attached hereto is a true and correct copy of the Resolution duly executed by the Board of Directors of the Corporation at a meeting duly called and held on November 6, 1975, and that the same is in full force and effect on the date hereof and has not been repealed, modified or amended.

Stephen J. Weinstein
Deputy Executive Director
and Secretary

Term of Office: Indefinite
MUNICIPAL ASSISTANCE CORPORATION

FOR THE CITY OF NEW YORK

Resolution Adopted at November 6, 1975 Meeting of the Board of Directors

RESOLVED, that pursuant to the power granted to the Board of Directors (the "Board") of the Corporation in Section 3038 (9)(b) of the Municipal Assistance Corporation For The City Of New York Act, constituting Article III of Title 10 of the Public Authorities Law of The State of New York, the Board hereby permits The City of New York (the "City") to have outstanding short-term obligations (excluding bond anticipation notes) plus the aggregate principal amount of all notes and bonds issued by the Corporation (less any notes or bonds refunded or renewed and less any short-term obligations of the City then held by the Corporation and less any short-term obligations of the City issued and payable within the same fiscal year) in an aggregate principal amount not to exceed $5 billion.
CERTIFICATE OF AWARD

I, SOL LEWIS, Third Deputy Comptroller of The City of New York, in the County of New York, State of New York, HEREBY CERTIFY that I am the duly appointed, qualified Third Deputy Comptroller of The City of New York and, in the exercise of the power delegated pursuant to Section 30.00 of the Local Finance Law to the Comptroller of the City on March 29, 1976, effective March 29, 1976, and on July 19, 1976, effective as of March 29, 1976, by the Mayor of The City of New York, exercising the powers of a finance board pursuant to Section 8c of the New York City Charter, which powers are in full force and effect and have not been modified, amended, rescinded or revoked as of the date of this Certificate, DO HEREBY AWARD AND SELL to the UNITED STATES OF AMERICA, acting by and through the Secretary of the Treasury, at the negotiated price of $325,000,000 principal amount, two REVENUE ANTICIPATION NOTES FOR MONEYS DUE FROM THE STATE to The City of New York, dated October 4, 1977 maturing, whichever date is earlier, upon written demand therefor to the Mayor and Comptroller of The City of New York, or May 20, 1978 with respect to the $50,000,000 note and June 20, 1978 with respect to the $275,000,000 note, both of which notes are authorized to be issued pursuant to the following Certificate:

Certificate No. 6-78 authorizing the issuance of two Revenue Anticipation Notes For Moneys Due From The State in the amounts of $50,000,000 and $275,000,000 respectively, executed
by the Third Deputy Comptroller on October 4, 1977 and filed in 
the Office of the Mayor of said City on October 4, 1977.

The terms, form and details of said Revenue Anticipa-
tion Notes shall be as follows and as more particularly shown 
on the Specimen Notes, attached hereto:

<table>
<thead>
<tr>
<th>Amount and Title:</th>
<th>$50,000,000 Revenue Anticipation Note For Moneys Due From The State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dated:</td>
<td>October 4, 1977</td>
</tr>
<tr>
<td>Matures:</td>
<td>Upon written demand therefor to the Mayor and Comptroller of The City of New York, or on May 20, 1978, whichever date is earlier, subject to prior redemption.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Denomination</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-024-TR</td>
<td>$50,000,000</td>
<td>7.54%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount and Title:</th>
<th>$275,000,000 Revenue Anticipation Note For Moneys Due From The State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dated:</td>
<td>October 4, 1977</td>
</tr>
<tr>
<td>Matures:</td>
<td>Upon written demand therefor to the Mayor and Comptroller of The City of New York, or on June 20, 1978, whichever date is earlier, subject to prior redemption.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Denomination</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-025-TR</td>
<td>$275,000,000</td>
<td>7.58%</td>
</tr>
</tbody>
</table>

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of October, 1977

Third Deputy Comptroller
SIGNATURE AND NO-LITIGATION CERTIFICATE

We, the undersigned officers of The City of New York, in the County of New York, State of New York, HEREBY CERTIFY that, on the 4th day of October, 1977, we officially signed and properly executed the obligations of said City, payable to the UNITED STATES OF AMERICA, acting by and through the Secretary of the Treasury, described as follows:

<table>
<thead>
<tr>
<th>Amount and Title:</th>
<th>$50,000,000 Revenue Anticipation Note For Moneys Due From The State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dated:</td>
<td>October 4, 1977</td>
</tr>
<tr>
<td>Matures:</td>
<td>Upon written demand therefor to the Mayor and Comptroller of The City of New York, or on May 20, 1978, whichever date is earlier; subject to prior redemption.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Denomination</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-024-TR</td>
<td>$50,000,000</td>
<td>7.54%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount and Title:</th>
<th>$275,000,000 Revenue Anticipation Note For Moneys Due From The State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dated:</td>
<td>October 4, 1977</td>
</tr>
<tr>
<td>Matures:</td>
<td>Upon written demand therefor to the Mayor and Comptroller of The City of New York, or on June 20, 1978, whichever date is earlier; subject to prior redemption.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Denomination</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-025-TR</td>
<td>$275,000,000</td>
<td>7.58%</td>
</tr>
</tbody>
</table>

and that at the date of such signing and on the date hereof, we were and are the duly chosen, qualified and acting officers authorized to execute said obligations, holding the respective offices indicated by the official titles set opposite our signature below.
WE FURTHER CERTIFY that, except for the litigation described in the attached document and by this reference made a part hereof, no litigation of any nature is now pending or to our knowledge threatened (either in State or Federal Courts) restraining or enjoining the issuance or delivery of said obligations or the levy or collection of taxes to pay the interest on or principal of said obligations, or in any manner questioning the authority or proceedings for the issuance of said obligations or affecting in any way the validity of said obligations or the levy or collection of said taxes, or contesting the corporate existence or boundaries of said City or the title of any of the present officers thereof to their respective offices; and that no authority or proceedings for the issuance of said obligations have or has been repealed, rescinded or revoked.

WE FURTHER CERTIFY that the seal which is impressed upon this Certificate has been affixed, imprinted or reproduced upon said Notes and is the legally adopted, proper and only official corporate seal of the Issuer.

WITNESS our hands and said corporate seal this 4th day of October, 1977.

Signature

Official Title Term of Office Expires

Third Deputy Comptroller December 31, 1977

City Clerk Indefinite
I HEREBY CERTIFY that the signatures of the officers of the above named City which appear above are true and genuine and that I know said officers and know them to hold the respective offices set opposite their several signatures.

[Signature]

Chief, Division of Municipal Securities
City University Construction Fund

Set forth below is the estimated debt service requirements on the $444.7 million principal amount of the Dormitory Authority's bonds outstanding at June 30, 1976 (after giving effect to a principal payment of $4.25 million on July 1, 1976), attributable to projects which are subject to a lease arrangement with the University Construction Fund. The City is responsible for one-half of the Fund's annual rental payments to the Dormitory Authority which are intended to cover debt service on the Authority's bonds issued to finance the leased projects plus the Authority's overhead and administrative expenses. The City University Construction Fund does not have third party revenues to offset the City's obligation under the rental agreement.

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977 through 1984</td>
<td>$40,800,000</td>
</tr>
<tr>
<td>1985</td>
<td>40,700,000</td>
</tr>
<tr>
<td>1986 and 1987</td>
<td>40,600,000</td>
</tr>
<tr>
<td>1988</td>
<td>40,500,000</td>
</tr>
<tr>
<td>1989</td>
<td>39,100,000</td>
</tr>
<tr>
<td>1990 through 1997</td>
<td>39,000,000</td>
</tr>
<tr>
<td>1998 and 1999</td>
<td>37,800,000</td>
</tr>
<tr>
<td>2000</td>
<td>34,700,000</td>
</tr>
<tr>
<td>2001</td>
<td>32,100,000</td>
</tr>
<tr>
<td>2002</td>
<td>29,200,000</td>
</tr>
<tr>
<td>2003</td>
<td>28,100,000</td>
</tr>
<tr>
<td>2004</td>
<td>25,800,000</td>
</tr>
<tr>
<td>2005</td>
<td>19,900,000</td>
</tr>
<tr>
<td>2006</td>
<td>8,500,000</td>
</tr>
</tbody>
</table>

The City's share of overhead and administrative expenses charged to the City University Construction Fund by the Dormitory Authority amounted to $1.59 million in the 1976 fiscal year. In addition, costs incurred by the Dormitory Authority in connection with the shutdown of certain uncompleted projects may result in increased rental charges to the University Construction Fund. The City University Construction Fund estimates that approximately $200 million principal amount of bonds would have to be issued by the Dormitory Authority if certain incomplete projects are to be finished. The City University Construction Fund estimates that such additional financing would increase the City's share of the Fund's rental obligation by approximately $15 million annually.

LITIGATION October 4, 1977

The following is a description of (i) certain material legal proceedings to which the City or a Covered Organization is a party other than routine litigation incidental to the performance of their governmental and other functions; (ii) certain material claims against the City and Covered Organizations; and (iii) certain other material legal proceedings. In addition, numerous lawsuits have been commenced and claims asserted against the City and Covered Organizations arising out of alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of law. The probable outcome of these proceedings and claims and the effect of adverse determinations on the City's cash requirements and the Financial Plan are not currently predictable. See "Financial Plan".

Investments in City Securities During the Emergency Period

1. On or about October 8, 1976 three retired City University teachers, purporting to represent all persons receiving a retirement allowance from the Teachers' Retirement System of The City of New York ("TRS"), commenced an alleged class action in the United States District Court for the Southern District of New York against the TRS and the members of the TRS Board. The complaint alleges that since September 1975 defendants have breached their fiduciary duties by causing the TRS to sell corporate bonds and government securities at "distress prices" and using the proceeds to purchase securities issued by the City at face value when such securities could have been purchased at substantial discounts from their face value in the securities markets. The complaint further alleges that said purchases violate the antifraud provisions of the Securities Exchange
The complaint requests: (i) a judgment for damages in an amount determined to have been sustained; (ii) an injunction restraining defendants from further investments of TRS funds in City securities; (iii) a declaration that Chapter 890 of the State Laws of 1975 and Federal Public Law 94-236 are unconstitutional; and (iv) an injunction enjoining the enforcement of Chapter 890 and Public Law 94-236. An adverse decision in this action or in the action described in paragraph 2 below could prevent the TRS from fulfilling its obligations under the Amended and Restated Agreement and deprive the City of funds projected under the Financial Plan. In their answer, defendants have denied all material allegations and all liability. See “Recent Developments” and “Financial Plan”.

On December 22, 1976, the Court denied plaintiffs’ motion for a preliminary injunction to enjoin defendants from making any further purchases of securities of or for the City during the pendency of this litigation. The United States has intervened in this action and moved to dismiss the complaint insofar as it seeks to declare Public Law 94-236 unconstitutional. The trial was completed on June 2, 1977 and the Court reserved decision.

On February 10, 1977, Alfred Kirchner, a retired City teacher, commenced an action in the United States District Court for the Southern District of New York against the United States of America, certain officials of the United States Treasury Department, the trustees of TRS and a former TRS trustee. The complaint contains substantially the same allegations as the complaint described in paragraph 1 above and, in addition, alleges that: (i) the City has failed to provide for its unfunded accrued liability to active members of the TRS resulting in an impairment of the benefits of all TRS members in violation of Article 5, Section 7 of the State Constitution which provides that membership in any pension or retirement system of the State or of a civil division thereof shall be a contractual relationship, the benefits of which shall not be diminished or impaired; and (ii) the sales of TRS securities “at a loss” to purchase City securities violated Article I, Section 10, clause 1 (the “Contract Clause”) of the United States Constitution. Plaintiff seeks substantially the same relief as sought by the plaintiffs in the action described in paragraph 1 above and, in addition, seeks (i) a ruling that the Amended and Restated Agreement is void and invalid; and (ii) an injunction prohibiting the further sale of TRS assets to purchase City obligations and prohibiting the postponement of payment at maturity of City obligations held by the TRS unless all creditors agree to such postponement. TRS and the former TRS trustee have moved to dismiss the complaint for failure to state a claim upon which relief can be granted and for lack of jurisdiction over the subject matter. Plaintiff has moved for a preliminary injunction to enjoin the TRS trustees from selling assets of TRS to purchase City obligations and from renewing or extending City obligations that become due unless such extension or renewal is agreed to by all similarly situated creditors. Both motions were submitted on April 12, 1977 and the Court reserved decision. On April 21, 1977 the Federal defendants moved to dismiss the complaint as against them on the grounds that plaintiff lacks standing and Public Law 94-236 is constitutional.*

MAC

On April 26, 1977 the State Court of Appeals held in two actions commenced by City bondholders that the provisions of the State legislation establishing MAC which provide for the suspension of the City sales tax and the imposition by the State of an identical sales tax within the City with the revenues committed to MAC until all MAC obligations have been repaid and which provide that MAC shall receive appropriations from the stock transfer tax fund to the extent necessary to meet its obligations are not unconstitutional and do not violate the Contract Clause of the United States Constitution. A plaintiff in one of these actions has appealed this decision to the United States Supreme Court. On October 3, 1977 the Supreme Court dismissed the appeal.

Moratorium Act

On November 17, 1975 Flushing National Bank commenced an alleged class action in State Supreme Court, County of New York, against MAC, the Control Board, the City and the Comptroller contesting the constitutionality of the Moratorium Act under the State and United States Constitutions.

*In an opinion filed on June 15, 1977 the Court denied plaintiff's motion for a preliminary injunction and granted defendants' motions to dismiss the complaint. Plaintiff has filed a notice of appeal to the United States Court of Appeals for the Second Circuit.
On November 19, 1976 the State Court of Appeals declared the Moratorium Act unconstitutional under the State Constitution. The Court held that the Moratorium Act violates the provisions of Article 8, Section 2 of the State Constitution requiring the City to pledge its “faith and credit” to the payment of its indebtedness. See “City Indebtedness—Enforceability of City Obligations”, “—Stay and Bankruptcy Legislation” and “—Moratorium Act”.

On February 8, 1977 the Court of Appeals issued a remittitur returning the action to State Supreme Court, County of New York, for further proceedings and directing the Supreme Court, among other things, (i) to enter judgment in favor of plaintiff providing for payment of principal in full not later than 30 days from the entry of judgment with such interest as the Court may determine to be appropriate; (ii) to determine applications for judgment submitted by individual holders of City notes purportedly subject to the Moratorium Act (the “Notes”) who were holders for value on November 14, 1975 (“Category One Noteholders”) and to grant judgments providing for payment within 30 days of the approval of each application by the Court; (iii) to determine applications for judgment submitted by all institutional and corporate holders of Notes and individuals who purchased Notes after November 14, 1975 (“Category Two Noteholders”), except those who executed agreements to withhold demand for payment or enforcement of their Notes and to grant judgments providing for payment with stays of enforcement as in the discretion of the Court may be appropriate with stays not longer than 6 months not to be deemed an abuse of discretion; and (iv) to determine whether the payment of interest on the principal of the Notes shall be paid at the face rate prior to maturity and at the rate of 6% from the date of maturity to the date of payment. The Court of Appeals also denied a motion by the Clearing House Banks for leave to appear or intervene in this action as untimely, without prejudice to any other proceedings which the Clearing House Banks may bring. The Court of Appeals designated Justice James Gibson, a retired Associate Judge of the State Court of Appeals, to preside over all aspects of this matter in State Supreme Court.

On February 23, 1977 Justice Gibson ruled that interest shall be paid on the Notes at the rate of 6% per annum from the date of maturity to the date of payment. On April 11, 1977 Flushing National Bank appealed to the Appellate Division of the State Supreme Court, First Department, from that part of the judgment entered in its favor setting the interest rate at 6% per annum. Martin Aaron, describing himself as a non-party-appellant, has also filed a notice of appeal to the Appellate Division of the State Supreme Court, First Department, challenging the Court’s interest rate order. It is expected that several noteholders will pursue a test case at the appellate level with respect to the appropriate rate of interest.

Judgments are now being entered in favor of the Category One Noteholders and the Category Two Noteholders. The Court has ruled that Category One Noteholders must be paid 30 days after the entry of judgment and Category Two Noteholders must be paid 5 months after the entry of judgment but that Category Two Noteholders may apply to the Court for a reduction of the 6 month period.

As of the close of business on June 10, 1977 Manufacturers Hanover Trust Company as Escrow Agent had received 13,030 applications for judgment in the aggregate principal amount of $376,795,000 from Category One Noteholders and 963 applications for judgment in the aggregate principal amount of $192,225,000 from Category Two Noteholders for a total of 13,993 applications in the aggregate principal amount of $569,020,000. As of June 10, 1977 judgments had been entered in favor of (i) 10,932 Category One Noteholders in the aggregate amount of $315,059,112.86, and (ii) 629 Category Two Noteholders in the aggregate amount of $114,021,801.21. MAC has advised the City that $403.285 million in principal amount of the Notes was exchanged for MAC bonds pursuant to its recent exchange offer.

Upon the motion of the City, Justice Gibson ordered on June 15, 1977 that (i) all judgments entered between June 1, 1977 and June 15, 1977 in favor of Category One Noteholders be modified to require their payment on or before June 30, 1977; and (ii) all judgments entered between April 21, 1977 and May 16, 1977 in favor of Category Two Noteholders be modified to require their payment on or before June 30, 1977. Prior to June 1, 1977 judgments had been entered in favor of Category One Noteholders in the amount of $294,798,688.55. During the period June 1, 1977
to June 15, 1977 judgments in the amount of $28,970,000 (exclusive of interest) were entered in favor of Category One Noteholders. During the period, April 21, 1977 to May 16, 1977 judgments in the amount of $53,600,000 (exclusive of interest) were entered in favor of Category Two Noteholders.

[See Addendum A at page 81A]

Moratorium Act and Segregation of City Revenues

On July 2, 1976 A. Lawrence Washburn, Jr., his wife and a relative as taxpayers and as owners of stock in cooperative apartments, commenced an alleged class proceeding in State Supreme Court, County of New York, seeking a judgment directing the Comptroller to set aside the first revenues received by the City after June 30, 1976 and to apply these revenues to the redemption of TANs and RANs of the City subject to the Moratorium Act. Petitioners contend that Article 8, Section 2 of the State Constitution does not require the City to appropriate moneys for the redemption of TANs or RANs for a period of five years provided, among other things, the revenues and taxes in anticipation of which the TANs and RANs were issued are still uncaptured. Petitioners allege that all or substantially all of the revenues and taxes anticipated with respect to TANs and RANs subject to the Moratorium Act have been received by the City and expended for purposes other than the redemption of these TANs and RANs. Petitioners assert that the City has failed to provide by appropriation in the City Expense Budget for the fiscal year commencing July 1, 1976 for the redemption of these TANs and RANs and has thereby violated Article 8, Section 2 of the State Constitution.

Until June 25, 1976, Mr. Washburn, an attorney, was associated with Hawkins, Delafield & Wood, the law firm which acts as bond counsel for MAC. That firm disclaims any responsibility for or approval of Mr. Washburn's action.

On January 3, 1977 the Court granted the Comptroller's motion to dismiss the petition. Petitioners have appealed this decision to the Appellate Division of State Supreme Court, First Department.

Moratorium Act and Expense Budget

Three individuals, represented by Mr. Washburn, have commenced a proceeding in State Supreme Court, County of New York, against the members of the Board of Estimate, the Mayor, the Comptroller, the City, the Control Board and MAC. The proceeding was commenced before Justice Gibson pursuant to the remittitur issued by the State Court of Appeals. See "Litigation—Moratorium Act". The petitioners seek to compel the Board of Estimate to amend the Expense Budget for the 1978 fiscal year by adding thereto the estimated total of judgments to be entered in favor of Category One Noteholders and Category Two Noteholders to the extent that such judgments are unpaid at the time the Expense Budget for fiscal year 1978 is adopted. On May 23, 1977 Justice Gibson denied petitioners' application for a temporary restraining order enjoining the adoption or approval of the 1978 Expense Budget during the pendency of this proceeding. Plaintiffs have filed a motion in the Appellate Division of the State Supreme Court, First Department, requesting the relief denied by Justice Gibson. The City defendants have opposed this motion.

Federal Credit Agreement

On May 2, 1977 three individuals commenced an action in the United States District Court for the Southern District of New York against the Secretary of the Treasury of the United States, the Governor, the Lieutenant Governor, the Control Board, the Mayor and the Comptroller. The complaint alleges that there have occurred developments materially and adversely affecting the likelihood of the fulfillment of the Financial Plan and that, unless the Court mandates compliance with the terms of the Federal Credit Agreement, there will occur material and adverse departures of the projections contained in the Financial Plan, including the assumptions on which the Financial Plan is based. It is alleged that the adverse developments include: (i) failure on behalf of the City and the State to reverse the trend of abandonment of residential units; (ii) failure on behalf of the City and the State to reverse the decline of new housing starts; (iii) the continued erosion of the assessed valuation of multi-family residential property in the City; (iv) increased real estate tax.

*On June 16, 1977 the Appellate Division denied plaintiffs' motion for want of jurisdiction.
On July 7, 1977 sixteen persons, including Martin Aaron, filed a notice of appeal to the Appellate Division, First Department on behalf of themselves and purportedly all other noteholders obtaining judgments challenging the adequacy of Justice Gibson's 6% interest rate determination.
sewer and water rental arrearages; and (v) the likelihood of further abandonment, assessment reduction and tax, water and sewer rental arrearages by the anticipated enactment of a four-year extension of governmental controls over rental housing. Plaintiffs seek: (i) an order requiring defendants to comply with the Seasonal Financing Act and Federal Credit Agreement, and (ii) an injunction prohibiting defendants from any course of conduct designed to erode the real estate tax base of the City as it may materially and adversely affect the intent of the Seasonal Financing Act and the Federal Credit Agreement, and requiring the defendants to proceed to protect and enforce the rights of the United States by suit.

Federal Securities Acts and Antifraud Provisions of State Law

Several lawsuits have been commenced in which it is alleged that the City and various banks and broker-dealers have violated the antifraud provisions of the Federal Securities Acts and State law in connection with the purchase and sale of City securities.

1. On August 13, 1975 an individual purporting to represent all persons who purchased short-term notes of the City during the period September 30, 1974 through August 13, 1975, filed a class action (the "Friedlander Action") in the United States District Court for the Southern District of New York against the City, the Mayor, the Comptroller and certain banks and broker-dealers. The Court subsequently permitted four individuals, including Friedlander, to be substituted as plaintiffs in place of the individual who commenced the action. The complaint alleges that the defendants concealed material facts and made false and misleading statements in connection with the sale of City notes in violation of the Federal Securities Acts and the rules promulgated thereunder. Plaintiffs also allege that the alleged concealments and misleading and false statements were made pursuant to a plan to shift the burden of a City default to the investing public by using the proceeds from the sale of the City's short-term notes to repay uncollectible City notes held by the banks, broker-dealers and their clients. Plaintiffs seek damages for the losses incurred as a result of the alleged concealments and misleading and false statements. While the complaint does not allege damages in a specific amount, it is alleged that the City sold approximately $2.5 billion in short-term notes between October 1974 and March 1975. In their answers, the City defendants and other defendants have denied all material allegations and all liability. On June 21, 1976 the Court granted plaintiff's motion to have the action certified a class action. On July 22, 1976 the Court ordered that the Friedlander Action and the actions described in paragraphs 2 and 3 below be consolidated for all purposes under the caption of the Friedlander Action.

The defendants in this action and the other actions described in paragraphs 2 through 4 below (the "Actions"), in which violations of the antifraud provisions of the Federal Securities Acts are alleged, have entered into an agreement dated February 10, 1976 (the "Stand-Off Agreement"). The defendants entered into the Stand-Off Agreement because of their concern that the present assertion by any defendant of a claim which it may have against one or more of the other defendants arising out of the Actions is not in their best interests. The Stand-Off Agreement provides, among other things, that during the term of the Stand-Off Agreement any claim arising out of or relating to any of the Actions shall be treated, for the purpose of the application of any statute of limitations or any similar statute or rule of law to the defendant asserting such claim, as if such claim had been asserted on February 10, 1976. The Stand-Off Agreement may be terminated by any defendant by giving 30 days written notice to the others. The Stand-Off Agreement further provides that the period from February 10, 1976 to the date of termination shall be disregarded in applying any statute of limitations or similar statute or rule of law. The Stand-Off Agreement will continue in full force and effect with respect to all other defendants if terminated by one or more defendants.

2. On November 6, 1975, Michael H. Spector and James H. Truncell, individuals purporting to represent all persons who purchased City bonds on or after May 1, 1974 "in the aftermarket", commenced an alleged class action in the United States District Court for the Southern District of New York against the City, the Mayor, the Comptroller and certain banks and broker-dealers. The complaint alleges that after May 1, 1974, and continuously thereafter, the defendants
concealed material facts and made false and misleading statements in connection with the sale by the banks and broker-dealers of their holdings of City bonds to the general public in the after-market in violation of the Federal Securities Acts and the rules promulgated thereunder. Plaintiffs seek damages for the losses incurred as a result of defendants' alleged concealment of material facts and misleading and false statements. While no claim is made for damages in a specific amount, plaintiffs allege that the banks and broker-dealers sold approximately $2.5 billion of City bonds in the after-market during fiscal year 1975. In their answer, the City, the Mayor and the Comptroller have denied all material allegations and all liability. On June 24, 1976 the Court granted plaintiffs' motion to have the action certified a class action. The defendants in this action are parties to the Stand-Off Agreement. On July 22, 1976 the Court ordered that this action and the actions described in paragraphs 1 and 3 of this Section be consolidated for all purposes under the caption of the Friedlander Action.

3. On November 7, 1975 Norman Goldfarb and Mark M. Weisberg, purporting to represent all persons who purchased short-term notes issued by the City during the period September 30, 1974 through August 13, 1975, filed alleged class actions in the United States District Court for the Southern District of New York against the City, the Mayor, the Comptroller and certain banks and broker-dealers who, it is alleged, acted as underwriters with respect to the short-term notes. On or about September 29, 1976 plaintiffs filed an amended complaint. The allegations in and the relief sought by plaintiffs' amended complaint are substantially the same as in the Friedlander Action. The defendants in these actions are parties to the Stand-Off Agreement. On July 22, 1976 the Court ordered that these actions and the actions described in paragraphs 1 and 2 of this Section be consolidated for all purposes under the caption of the Friedlander Action. In their answer the City defendants have denied all material allegations and all liability.

4. On December 22, 1975 Norman J. Goldfarb and Mark M. Weisberg, individuals purportedly representing all persons who purchased the City's short-term notes during the period commencing September 30, 1974 and ending August 13, 1975, commenced an alleged class action in State Supreme Court, County of New York. The defendants named in this action are identical to those named in the Friedlander Action described above. The factual allegations are substantially the same as in the Friedlander Action except that plaintiffs in this action allege that they also have been defrauded under the common law and that defendants' action violated the antifraud provisions of Section 352-c of the General Business Law. The complaint seeks damages incurred as a result of defendants' alleged fraudulent acts and defendants' alleged concealment of material facts and false and misleading statements in connection with the sale of the City's short-term obligations. No claim for damages in a specific amount has been asserted. However, it is alleged that the banks and broker-dealers underwrote $2.6 billion of the City's short-term notes during the period in question. On May 13, 1976 the Court granted the motion made by defendant banks and broker-dealers to stay this action pending the final disposition of the actions described in paragraphs 1, 2 and 3 above, without prejudice to plaintiffs' right to move to vacate the stay upon proof of facts rendering continuance of the stay harmful. Plaintiffs' counsel has agreed to extend the time of the City defendants to answer or move with respect to the complaint until 10 days after the ultimate determination of the above mentioned actions or the vacating of the stay, whichever is earlier. The defendants in this action are parties to the Stand-Off Agreement.

5. On or about February 18, 1977 an individual purporting to represent all persons who purchased City securities between September 30, 1974 and November 13, 1975 and sold the securities at any time, instituted an alleged class action (the "Manchester Action") in the United States District Court for the Southern District of New York against the City, the Mayor, the Comptroller and certain banks and broker-dealers. The allegations and relief sought in the Manchester Action are substantially the same as in the Friedlander Action described in paragraph 1 above. In their answer the City defendants have denied all material allegations and all liability.
6. On January 5, 1976 the Securities and Exchange Commission ("SEC") issued a Formal Order of Private Investigation pursuant to Section 20(a) of the Securities Act of 1933 (the "Securities Act") and Section 21(a) of the Securities Exchange Act of 1934 (the "Exchange Act") to determine whether any violations of the antifraud provisions of those Acts have occurred or are occurring with respect to transactions in City and MAC securities. In particular, the SEC is inquiring into whether, in connection with transactions in City and MAC securities, literature, documents and information were disseminated to members of the investing public and others which may have contained untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, concerning, among other things: (i) the financial condition of the City; (ii) the financial operation and practices of the City; (iii) the accounting practices of the City; (iv) the investment risks involved in the purchase of City and MAC securities; (v) the use of proceeds received by the City as a result of the distributions of City securities; (vi) the collectibility of certain real estate taxes and other anticipated revenues, and the ability to obtain State and Federal aid; and (vii) the ability of the City to meet its financial obligations as they become due. In its release announcing the investigation the SEC emphasized that "no conclusions have been reached, and none should be drawn, that violations of the federal securities laws have in fact occurred." The SEC investigation is currently in progress.

On July 27, 1976 the City commenced an action in the United States District Court for the Southern District of New York against the SEC, seeking a declaratory judgment that (i) the SEC has no authority under the Securities Act or the Exchange Act to regulate, investigate or take any action with respect to municipalities or their officials in connection with the issuance and sale of municipal securities; or in the alternative, (ii) any provision of the Securities Act or Exchange Act which authorizes the regulation of, investigation of, or the taking of any action with respect to, municipalities or their officials in connection with the issuance and sale of municipal securities are unconstitutional and invalid, and to the extent the Formal Order of Private Investigation issued on January 5, 1976 authorizes such regulation or action, it is likewise unconstitutional and invalid. The SEC and the City announced on December 17, 1976 that they have agreed to discontinue this action. The SEC and the City stated that they believe that the public interest requires joint cooperation in seeking ways to provide investor confidence in the municipal securities markets. While the SEC has not yet reached a final determination with respect to its pending inquiry, the SEC and the City stated that they believe that a discontinuance of the City's lawsuit would allow time for the SEC to develop information in connection with the municipal securities markets and to reach conclusions with respect to the matters that the SEC has been examining.

Though the City has at all times expressly reserved its right to contest the jurisdiction of the SEC, the City is continuing to cooperate in the SEC investigation. Pursuant to the request of the SEC, City officials have testified and City documents have been delivered to the SEC for examination.

[See Addendum A at page 84a]

7. In December 1975, the State Select Committee on Crime, Its Causes, Control and Effect on Society, consisting of members of the State Assembly and Senate, instituted an investigation into whether, in connection with the issuance of RANs, TANs and other City indebtedness, (i) there have been violations of the antifraud provisions of Section 352-c of the General Business Law; (ii) false instruments have been offered for filing in violation of Sections 175.30 and 175.35 of the Penal Law; (iii) false certificates have been issued by public servants in violation of Section 175.40 of the Penal Law; (iv) false financial statements have been issued with intent to defraud in violation of Section 175.45 of the Penal Law; (v) public servants have been guilty of official misconduct in violation of Section 195.00 of the Penal Law; and (vi) there is a need for legislation to amend such statutes.

City Budgetary Practices

1. On July 18, 1975 Robert Sasso, purporting to be a resident and taxpayer of the City, commenced an action against the City, the Mayor, the Comptroller, certain other City officials, the
Addendum A to page 84

On August 26, 1977 the staff of the SEC issued a report consisting of approximately 800 pages criticizing the role of City officials, various banks, rating agencies and bond counsel in connection with the sale of City notes in late 1974 and early 1975. No attempt to summarize the report has been made here and the reader is referred to the report for its full terms and contents. Both the Mayor and the Comptroller have challenged many of the findings and conclusions of the report and a detailed rebuttal of the report is being prepared.
State, the Governor, the State Comptroller and MAC in State Supreme Court, County of New York. The complaint seeks, among other things, (i) a declaratory judgment that certain provisions of the Local Finance Law which permit or require the City to include certain items in the Capital Budget which, it is alleged, should properly be characterized as operating expenses and included in the Expense Budget are unconstitutional under Article 8, Section 2 of the State Constitution which prohibits the City from contracting indebtedness for longer than the period of probable usefulness of the object or purpose for which such indebtedness is to be contracted; (ii) a declaratory judgment that the tax imposed on plaintiff's real estate as a result of such provisions and practices exceeds the amount which may be lawfully assessed against plaintiff's property under Article 8, Section 10 of the State Constitution which restricts the amount of tax which the City may levy against real estate except to provide for the payment of the interest on and principal of indebtedness to 2½% of the average full valuation of taxable real estate; (iii) an injunction against the City, Mayor and the Comptroller from including operating expenses in the City's Capital Budget; (iv) a declaratory judgment that the establishment of MAC, its sale of debt obligations and transfer of the proceeds to the City deprive plaintiff of property without due process of law in violation of Article 1, Section 6 of the State Constitution by providing a means whereby the City may avoid the limitations imposed by the State Constitution on the City's debt contracting and taxing power and an injunction prohibiting continuation of such acts; and (v) a declaratory judgment that the City has exceeded its constitutional debt limitation under the State Constitution and an injunction prohibiting further violations. In its answer the City has denied all material allegations and all liability.

On November 6, 1975 the plaintiff stipulated that the action be discontinued with prejudice with respect to the State and the State Comptroller. On July 29, 1975 MAC's motion for summary judgment, for the reason that the cause of action against MAC was without merit, was granted. Plaintiff appealed this ruling directly to the Court of Appeals on September 10, 1975 and subsequently signed a stipulation discontinuing his appeal with prejudice.

2. On December 3, 1975 General Contractors Association of New York, Inc., a trade association, filed a petition in State Supreme Court, New York County, naming the State, the State Comptroller, the City, the Mayor and the Comptroller as defendants. The petition seeks a declaratory judgment that the City's practice of commingling the proceeds of City bonds and notes issued to finance capital construction and aid received from the Federal and State governments to finance capital construction (the "Construction Financing Funds") with all other monies of the City and the expenditure of said funds for purposes other than capital construction is unlawful under various provisions of State law, the City Charter and City law. The complaint further seeks, among other things, to (i) order the City to cease commingling the Construction Financing Funds with any other monies of the City; (ii) order the City to cease expending the Construction Financing Funds on City expenses; (iii) order the City to hold the Construction Financing Funds in trust for the payment of and spend such funds solely on the contracts and projects for which such Construction Financing Funds were obtained; (iv) with respect to all construction projects or contracts for which the City has received Construction Financing Funds including those which have not yet been awarded or which have been terminated or will be terminated, order the City to render a detailed account with respect to monies received and expended; (v) for each project or contract where Construction Financing Funds were obtained and where a separate fund for the purpose of funding such construction project or contract does not exist, order the City to place or restore sufficient monies in a separate account for such purpose; (vi) order the City to comply with all contracts it has with plaintiff's members; (vii) enjoin the City from terminating and order the City to reactivate and restore any construction contracts of members where funding was appropriated or otherwise made available, received or advanced for such contract; (viii) order the City to let and award all construction contracts for which funding has been received; (ix) with respect to those contracts which are to be terminated or have been terminated, order the City to set aside in trust sufficient funds to pay any damages caused to the plaintiff's members; (x) order the State and State Comptroller to insure that all funds that it pays for such construction contracts and
projects be placed in trust to pay the costs thereof; and (xi) order the State and State Comptroller to compel the City to restore all Construction Financing Funds which have not been separated into trust funds for the construction projects and contracts for which they were designated. No claim for specific monetary damages is alleged in the petition. However, if plaintiff prevails, the City might not be able to comply with the terms of the Financial Plan and the Federal Credit Agreement. The City defendants have filed an answer denying the material allegations and all liability. On July 22, 1976 the Court dismissed the petition. The Appellate Division of the State Supreme Court, First Department, has affirmed this decision.

Stavisky-Goodman Act

On or about July 1, 1976 the Board of Education of The City of New York (the "Board of Education") commenced an Article 78 proceeding in State Supreme Court, County of New York, against the City, the Mayor, the Comptroller and the members of the Board of Estimate and the City Council. The petitioner alleged that (i) Section 2576 of the State Education Law as amended by Chapter 132 of the State Laws of 1976 (the "Stavisky-Goodman Act") requires the City to appropriate to the Board of Education in each fiscal year, if the Board of Education so requests, no less than that proportion of the total Expense Budget for such fiscal year equal to the average proportion of the total Expense Budget of the City appropriated to the Board of Education in the previous three fiscal years; (ii) the average proportion of the total Expense Budget so appropriated in the previous three fiscal years immediately preceding 1977 was 21.55%; and (iii) respondents failed to comply with the Stavisky-Goodman Act and appropriated to the Board of Education in the 1977 Expense Budget $115,524,702 less than the proportion required by the Stavisky-Goodman Act. The Board of Education requested a judgment compelling respondents to modify the City's Expense Budget for fiscal year 1977 to comply with the Stavisky-Goodman Act.

On April 5, 1977 the State Court of Appeals ruled that (i) the Stavisky-Goodman Act was duly enacted and does not violate home rule proscriptions; (ii) the reference in the Stavisky-Goodman Act to the total Expense Budget of the City, as amended, shall refer with reference to the fiscal year of the City immediately preceding any current year to the Expense Budget as amended as of March 15; and (iii) the failure of the Board of Education to have filed a budget estimate by September 1, 1975 does not excuse the City from its obligations to comply with the Stavisky-Goodman Act. The Court expressly did not rule upon the issue of whether and to what extent, if any, the appropriations and expenditures pursuant to the Stavisky-Goodman Act are subject to the provisions of the Financial Emergency Act or to oversight or intervention by the Control Board.

On or about May 5, 1977 the Board of Education commenced an action in State Supreme Court, County of New York, against the Control Board, the City, the Mayor, the Board of Estimate, the City Council and the Comptroller seeking enforcement of the Stavisky-Goodman Act and the State Court of Appeals decision referred to above. The complaint requests a judgment (i) declaring that the appropriations and expenditures pursuant to the Stavisky-Goodman Act are not subject to the provisions of the Financial Emergency Act or to oversight or intervention by the Control Board; (ii) directing the City to appropriate to and make available for expenditure by the Board of Education the sum of $113,057,926, exclusive of the sums to which the Board of Education is entitled under the Stavisky-Goodman Act for fiscal year 1978; (iii) declaring that in determining the three year average proportion to be used in arriving at the required minimum appropriation for education for fiscal year 1978, the fiscal year 1977 component of such average proportion is to be based on the amount that the City was legally required to appropriate for fiscal year 1977; and (iv) directing the City to appropriate to and make available for expenditure by the Board of Education for fiscal year 1978, no less than 20.744% of the total Expense Budget adopted for that fiscal year. The City has filed an answer denying all material allegations and all liability. See "Financial Plan—Assumptions".

Labor Relations

1. On December 15, 1975, the Subway-Surface Supervisors Association (the "Supervisors Association") commenced an action in State Supreme Court, County of Kings, against the New
STATEMENT BY THE MAYOR OF THE CITY OF NEW YORK,
THE CITY COUNCIL AND THE BOARD OF EDUCATION:

Mayor Abraham D. Beame; Council Majority Leader Thomas J. Cuite;
Council Member Edward L. Sadowsky, Chairman of the Committee on
Finance; Dr. Robert J. Christen, President of the Board of
Education, and, Dr. Irving Anker, Chancellor of Schools.

The Mayor, the Council and the Board of Education have
reached agreement on proposed funding for the City School District
during the 1978 fiscal year. This agreement, if approved by the
Court, will terminate the current litigation between the City and
the Board concerning funding levels for the school system section
7526 of the Education Law, commonly referred to as the Stavisky-
Goodman Law.

The City will provide $13.5 million, of which $8.2
million will be Tax Levy funds, $3.8 million in state aid,
and $1.5 million in Tax Levy funds already in the 1978 Expense
Budget to match funds under the Comprehensive Education and
Training Act (CETA). The Board of Education will reallocate
$2.5 million from non-instructional to instructional programs
which will mean that a total of $16 million will be made available
for instructional programs.

(more)
The parties agree that the fiscal 1977 base will be increased by $75 million only for the purpose of calculating future levels of funding for the Board of Education. This, however, will not mandate any additional appropriation of actual monies for fiscal 1977. The agreement will provide additional funding for the 1978 fiscal year for the school system at a time when it can be most appropriately used while protecting the City from the risks of future litigation. We believe this agreement will help to meet the educational goals sought by all parties in a manner consistent with the City's current fiscal condition.

This agreement, when approved by the City Council, Board of Estimate and the Emergency Financial Control Board, will enhance the instructional programs of the Board of Education, improve special educational opportunities and ensure that the school children of this City enjoy the benefits of a full school day. The increased funding, which includes an increase of $8.2 million in Tax Levy monies allocated to the Board of Education, and which requires a modification of Expense Budget for fiscal 1978, complies with the Financial Plan.

The Board of Education has indicated these additional funds will be used to help meet the following instructional goals:

--- The assurance of the restoration of the full school day without an increase in class size in elementary, intermediate and junior high schools.

--- The restoration of the curriculum index in the high schools, thus assuring a full school day.
-- The reduction of oversize classes in the senior high schools.

-- The allocation of funds to assist the Community School Districts in meeting the educational needs of handicapped children.

-- The increase of evening high schools to five, ensuring the establishment of one of these facilities in each of the City's boroughs.

-- The provision for assisting Community School Boards to meet the needs of gifted children.

It should be noted that these goals, and the provision of additional funding, will be accomplished without the diminution of other programs of the Board of Education or the City of New York.
York City Transit Authority (the "Transit Authority"), a Covered Organization. The Supervisors Association is the collective bargaining representative of certain supervisory employees of the Transit Authority. The petition seeks to have the provisions of the Financial Emergency Act suspending salary and wage increases of employees of the City and Covered Organizations declared unconstitutional under the State Constitution and the United States Constitution. The petition also requests an order directing the Transit Authority to comply with all the terms of its collective bargaining agreement with the Supervisors Association. In its answer the Transit Authority has denied all material allegations and liability.

On February 23, 1976 the Court ruled that the Wage Freeze provisions of the Financial Emergency Act do not violate Article 5, Section 7 of the State Constitution and the Contract Clause of the United States Constitution. The Court directed the Transit Authority to offer to enter into a deferral agreement with the Supervisors Association similar to those entered into between the City and other unions. On January 31, 1977 the Appellate Division of the State Supreme Court, Second Department, held (i) that the Wage Freeze provisions of the Financial Emergency Act which prohibit the calculation of pension benefits based on a suspended wage increase are unconstitutional under Article 5, Section 7 of the State Constitution; and (ii) that in all other respects the Wage Freeze provisions of the Financial Emergency Act do not violate Article 5, Section 7 of the State Constitution and the Contract Clause of the United States Constitution. The Appellate Division affirmed the decision of the Supreme Court directing the Transit Authority to offer to enter into a deferral agreement but ruled that any such deferral agreement must comply in all respects with the Wage Freeze provisions of Financial Emergency Act. The Transit Authority and the Supervisors Association have entered into a deferral agreement dated March 10, 1977. The Supervisors Association has appealed this decision to the State Court of Appeals. See "City Services and Expenditures—Employees and Labor Relations".

On March 17, 1977 the State filed a motion to set aside the order and amend the decision of the Appellate Division by deleting any reference that the provisions of the Wage Freeze concerning the calculation of pension benefits are unconstitutional, or, in the alternative, to reargue this issue. The Appellate Division denied the State's motion and the State has appealed to the State Court of Appeals.

2. On or about May 25, 1976 a retired patrolman, purporting to represent all patrolmen who have served 35 years, commenced an alleged class action in State Supreme Court, County of New York, against the City and the Chairman of the Board of Trustees of the Police Pension Fund, Article 2 ("Article 2"), one of the two separate and distinct Police Department pension funds. The Police Pension Fund, Article 1 ("Article 1") is not funded on an actuarial basis and its membership is confined to persons serving on the police force on March 29, 1940. Article 2 is an actuarially funded system which includes all persons appointed to the police force after said date. The petitioner was appointed a patrolman on June 5, 1940. Petitioner alleges that he is being paid a retirement allowance equal to ¾ of his annual earnings compensation at the date of his retirement in violation of Section B18-4.0(j) of the City Administrative Code which, it is alleged, provides for the payment of an annual pension during his lifetime in an amount equal to his full salary at the date of his retirement from service. Petitioner seeks an order (i) declaring Section B18-4.0(j) applicable to all members of Article 2 who have or shall have served 35 years; and (ii) directing respondents to grant the retirement allowance required by said Section. The respondents have denied all material allegations and all liability. An adverse decision in this action could increase the City's annual expenditure for pensions by approximately $10 million per year over a 3 year period. See "City Services and Expenditures—Pension Systems".

The Court has granted respondents' motion to dismiss and denied petitioners application on the ground that the benefits contained in said Section are payable only to members of Article 1 and not to members of Article 2. Petitioner has appealed this decision to the Appellate Division of State Supreme Court, First Department.
3. On November 9, 1976 the Director of the Office for Civil Rights of the United States Department of Health, Education and Welfare ("HEW") informed the Chancellor of the Board of Education that the Office for Civil Rights had concluded that portion of its compliance investigation of the City school system relating to the employment practices of the school system and the Director had concluded that the school system is "in noncompliance" with both Title VI of the Civil Rights Act of 1964 ("Title VI") and Title IX of the Education Amendments of 1972 ("Title IX"). The Director has determined that the school system has violated Title VI in that it has (i) denied minority teachers full access to employment opportunity through the use of racially discriminatory selection and testing procedures and through the use of racially identifiable employment pools in a manner that discriminately restricts the placement of minority teachers; (ii) assigned teachers, assistant principals and principals in a manner that has created, confirmed and reinforced the racial and/or ethnic identifiability of the system's schools; and (iii) assigned teachers with less experience, lower average salaries and fewer advanced degrees to schools which have higher percentages of minority students. The Director also concluded that the City school system is in violation of Title IX in that it has (i) denied females equal access to positions as principals and assistant principals throughout the system; (ii) provided a lower level of financial support for female athletic coaching programs; and (iii) deprived female teachers of seniority rights and other compensation through failure to eliminate the effects of past discriminatory maternity leave policies. The Director ordered the City School District to submit a plan to the HEW Office for Civil Rights setting forth "the remedial steps which the District will take in order to comply with Title VI of the Civil Rights Act of 1964 and Title IX of the Education Amendments of 1972". The Director also stated that the "plan must include provisions for remedying individual instances of past discrimination". On April 22, 1977 the City School District submitted its response which disagreed with certain factual allegations and proposed a plan to promote the hiring of additional minority teachers. [See Addendum A at page 88a]

On January 18, 1977 the Director of the Office for Civil Rights of HEW informed the Chancellor of the Board of Education that the Office for Civil Rights had concluded that portion of its compliance investigation of the City school system relating to the provision of equal educational services to students and that the Director had concluded that the school system is operating "in non-compliance" with Title VI, Title IX and Section 504 of the Rehabilitation Act of 1973 ("Section 504") in that it has (i) on the basis of race, national origin, sex and physical and mental handicap, deprived minority, female and handicapped students of an equal share of the resources provided from local tax revenues for basic education; (ii) on the basis of race and national origin, denied minority students meaningful educational experience and the full benefits of the educational programs offered; (iii) on the basis of race, national origin and sex, denied minority and female students access to the full range of educational opportunities afforded other students; and (iv) on the basis of race and national origin, subjected minority students to disciplinary practices which have resulted in harsher punishments being meted out to minority as compared to nonminority students. The Director requested the City school system to submit a plan to the HEW Office for Civil Rights by March 19, 1977 detailing the steps it will take to remedy the alleged violations of Title VI, Title IX and Section 504. The Director also stated that the investigation of complaints received alleging that students have been assigned to schools on the basis of their race and national origin within certain community school districts and among the academic high schools is continuing and that the City School District will be notified of the findings as soon as the investigation has been completed. The Director, subject to the approval of the District Court for the District of Columbia, has granted the City School District an extension until October 1977 to respond to the report.

If the City school system and HEW cannot reach agreement on satisfactory plans, HEW could ultimately withhold all Federal aid to the City school system which during fiscal year 1976 amounted to approximately $300 million. See "Sources of City Revenues—Federal and State Grants". [See Addendum B at page 88a]
On July 6, 1977 the Director of the Office of Civil Rights advised the Chancellor that the City School District's proposed plan did not adequately address the alleged violations of Title VI and, therefore, it is difficult for OCR to make a meaningful assessment of the sufficiency of many of the City School District's proposals. The Director of OCR also noted that he is aware of the difficulties faced by the City School District in formulating a remedy and he appreciated the effort which went into the preparation of the plan, as well as the Board's continuing commitment to guarantee equal opportunity to its students and employees. The Director stated that there is a great deal his agency can do to help the City School District develop a plan responsive to the November report. Toward that end staff members of OCR and the City School District will be meeting in the near future.

On September 7, 1977 the Board of Education and HEW's Office for Civil Rights entered into a memorandum of understanding resolving many of the issues which were the subject of the compliance reports. A copy of the memorandum of understanding is annexed hereto at pages 88(i) - 88(viii).

Addendum B to page 88

On July 6, 1977 the Office of Education of HEW advised the Chancellor that the Board of Education and eighteen community school districts which have applied for funds under the Emergency School Aid Act (hereafter "ESAA") have not satisfied the eligibility requirements contained in the statute and regulations in view of OCR's findings contained in its November and January reports. During fiscal year 1976-1977 the City School District and various community school districts received a total of $15,814,185 in ESAA funds. The City School District and community school districts hope to receive a comparable amount during this fiscal year. In July the City School District and the community school districts applied to HEW's Office of Education for revocation of its determination of ineligibility. Some applications have been denied, and decisions on the other applications are expected shortly. The City School District and the community districts have also applied to the Secretary of HEW for a waiver of ineligibility. Under the statute a waiver may not be granted unless the condition relating to ineligibility "has ceased to exist." The Director of HEW's Office of Civil Rights advised the Chancellor in a letter dated July 6, 1977 that the community school districts have the kind of deficiencies that most school districts are able to correct as a condition for obtaining a Secretarial waiver.
On or about September 27, 1977 the Office of Education, HEW approved the 1977-78 ESAA applications of all community school board applicants except for Districts 10, 11 and 15. The application of the central Board of Education was also not approved. On September 27, the Board of Education and District 11 commenced an action in the United States District Court for the Eastern District of New York under the Emergency School Aid Act, 20 U.S.C. §§ 1601-1619, challenging the Office of Education's denial of 1977-78 ESAA applications of the central Board and Districts 11. The District Court granted plaintiffs' request for a temporary restraining order and has ordered the Office of Education, HEW to temporarily set aside and preserve $3.8 million for plaintiffs' 1977-78 ESAA applications.
MEMORANDUM OF UNDERSTANDING BETWEEN:

THE BOARD OF EDUCATION OF THE CITY OF NEW YORK
AND THE OFFICE FOR CIVIL RIGHTS, UNITED STATES
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

The Board of Education agrees to adopt and implement, and the Office for Civil Rights agrees to accept as compliance with the requirements of Title VI of the Civil Rights Act of 1964 and Title IX of the Education Amendments of 1972, as to the subjects addressed, an affirmative action plan containing, in detailed form, the following commitments and affirmative actions with respect to the employment and assignment of teachers and supervisors in the New York school system:

1. Not later than September of 1979, the teacher corps of each District in the system will reflect, within a range of five percent, the racial-ethnic composition of the system's teacher corps as a whole for each educational level and category, subject only to educationally-based program exceptions.

2. Not later than September of 1980, each individual school in the system will reflect, within a range of five percent, the racial-ethnic composition of the system's teacher corps as a whole for each educational level and category, subject only to educationally-based program exceptions.
3. The Board of Education will demonstrate to the Office for Civil Rights, subject to prescribed review, that any failure to meet the commitments set forth in paragraphs one and two hereof results from genuine requirements of a valid educational program. In addition, the Board will demonstrate that it has made and is continuing to make special efforts to overcome the effects of educationally-based program exceptions through effective use of such mechanisms as recertification, recruitment, and special assignment of teachers.

4. The Board of Education will adopt and implement the following affirmative action procedures, and will sponsor and actively support state legislation at the next session of the Legislature where necessary to accomplish these ends:
(a) Any test used henceforth to determine whether a person is qualified for a teaching position in the system shall be validated prior to its being administered; except that in cases of demonstrable educational necessity, for example, where there are no eligible lists, a test may be used prior to its validation for temporary assignments, provided that validation shall be accomplished as soon as practicable.
Tests shall be validated pursuant to accepted professional standards as exemplified in the Uniform Guidelines for Employee Selection Procedures (41 Fed. Reg. 51734, Nov. 23, 1976). Prior to the administration of any test, the Office for Civil Rights shall have a reasonable opportunity to review and consult with respect to the design and implementation of the proposed validation.

(b) All existing eligibility lists by license shall be combined, and the names of all persons contained thereon shall be merged with the names of any persons who have passed any new tests, without regard to the dates of examinations.

(c) Rank ordering of persons who have passed examinations for the system shall be abolished.

(d) In employing and assigning teachers pursuant to these modified standards and procedures, the Board of Education will implement affirmative action mechanisms found to be appropriate, such as, for example, giving hiring preference to all eligible persons with prior experience in the system.

(e) In implementing such modified standards and procedures, the Board of Education will take all steps necessary to ensure fulfillment of the foregoing objectives, throughout the system.
5. The Board of Education agrees that, in the event that the above-described legislation is not adopted so as to govern employment decisions for the 1978-79 school year, the Board will seek appropriate litigation in support of the agreed objectives.

6. The Board agrees, as soon as practicable to have performed a study of the relevant qualified labor pool by race, ethnicity, and sex by an independent expert acceptable to the parties and pursuant to methodology and standards agreed to by the parties. Through the adoption and implementation of the affirmative action procedures and legislation provided in paragraph 4 of this Memorandum and other efforts taken or to be taken by the Board, the Board commits that by September of 1980, the levels of minority participation in the teaching and supervisory service will be within a range representative of the racial and ethnic composition of the relevant qualified labor pool.

It is understood that this commitment shall not require the Board to lay off any teacher currently employed by the Board or to hire any teacher who has not met appropriate requirements for employment, not inconsistent with this agreement. It is further understood that the commitment made
herein does not establish quotas. Failure to meet this commitment shall not be considered a violation of this agreement if the Board demonstrates that it has implemented the provisions of this agreement in a good faith effort to meet the commitment made herein.*

The Board has advised the Office for Civil Rights that the Board expects to consult with the United Federation of Teachers and others regarding the selection of the independent expert and the standards and methodology to be used in the above study. Likewise, the Office for Civil Rights has advised the Board that it expects to consult with other government agencies, civil rights organizations, and others regarding the selection of the independent expert and the standards and methodology to be used in the study.

7. The Board of Education agrees that all employment decisions for teaching personnel, other than those on the Preferred Lists, made between the date of the execution of this Memorandum and the effective date of the above described legislation will be subject to adjustments arising from the new legislation or successful litigation pursuant to Paragraph 5.

*The commitment herein is subject to applicable standards of law. (See Hazelwood School Dist. v. United States, 97 S. Ct. 2736)
8. The Board of Education commits itself to pursue a program of affirmative action to increase the number of women in the supervisory service, including a plan to reach a systemwide level of participation by women within a range representative of the pool of available qualified women by a date to be agreed upon with the Office for Civil Rights. The Board further agrees that it will establish a procedure whereby no person shall be appointed to a supervisory position until an affirmative action officer in the central personnel administration has studied the file of applicants for the particular position and determined that the appointment process demonstrates good faith compliance with the affirmative action plan. The Board agrees to review with the Office for Civil Rights the appropriateness of standards and procedures for selection of supervisory personnel to insure conformity to this paragraph.

9. Not later than one hundred twenty days after the execution of this Memorandum the Board of Education shall submit to the Office for Civil Rights a detailed plan describing the steps and mechanisms to be used in attaining the objectives set forth herein. This plan shall include interim objectives stated by year, by which the Board will achieve the commitments made herein. During the 120 day period and thereafter during the term of
this agreement, the Board of Education will cooperate
with the Office for Civil Rights in generating and sharing
data and information with respect to compliance with the
terms of this Memorandum and the fulfillment of its objec-
tives. The Board shall file with the Office for Civil
Rights annual reports at times to be agreed upon by the
describing the progress toward the interim and
final objectives.

The Board of Education of the
City of New York,
by:
IRVING ANKER
Chancellor

The Office for Civil Rights,
United States Department of
Health, Education and Welfare,
by:
DAVID S. TATEL
Director

Date: September 7, 1977
The United Federation of Teachers commits itself to support the adoption of legislation, as soon as possible during the 1977-78 term of the New York legislature, with respect to the provisions of paragraph four of the foregoing Memorandum of Understanding between the Board of Education of the City of New York and the Office for Civil Rights of the United States Department of Health, Education, and Welfare, including specifically those provisions relating to abolition of rank ordering of eligibility lists and merging such lists without regard to the dates of examination.

Albert Shanker, President
4. On March 1, 1976 several former and current teachers in the City school system, on behalf of a purported class, commenced an administrative proceeding before the United States Department of the Treasury against the City Board of Education and its President and Chancellor, the City Board of Examiners and its Chairman, the City and the Mayor. The complaint alleges that defendants' examination, licensing, appointment, seniority and layoff policies are discriminatory in violation of the Fourteenth Amendment to the United States Constitution, Title VI and the regulations thereunder and Section 122 of the Federal State and Local Fiscal Assistance Act of 1972 (the "Fiscal Assistance Act") and the regulations thereunder which provide that no person shall, on the ground of race, color, national origin or sex be excluded from participation in, be denied the benefits of or be subjected to discrimination under any program or activity funded by the Federal Government under the Fiscal Assistance Act. The complaint requests the Department of the Treasury to (i) investigate defendants' alleged discriminatory practices; (ii) seek the termination of such alleged discriminatory practices; and (iii) if such alleged discriminatory practices are not terminated, terminate all HEW funding and Federal revenue sharing funding to defendants. See "Sources of City Revenues—Federal and State Grants".

The plaintiffs in this action and certain other parties have commenced administrative proceedings before HEW in which the allegations and relief sought are substantially the same. In connection with the proceedings referred to in this paragraph and paragraphs 5 and 6 below the City and the City agencies named as defendants therein intend to deny the material allegations of the complaints and refer to the affirmative action programs implemented by the City and its agencies to provide equal employment opportunities.

5. In August 1975 the Guardians Association of the City Police Department (the "Guardians Association") and several individuals, on behalf of a purported class, commenced an administrative proceeding before the Law Enforcement Assistance Administration ("LEAA") of the United States Department of Justice against the City, the City Police Commissioner and members of the City Civil Service Commission. The complaint alleges that the City Police Department maintains discriminatory practices in connection with the hiring, recruiting and promotion of minority persons and disciplinary proceedings afforded minority persons in violation of the provisions of the Federal Omnibus Crime Control and Safe Street Act (the "Omnibus Crime Control Act"), which provides that no person shall, on the ground of race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded under the Omnibus Crime Control Act, the regulations promulgated by LEAA thereunder and Title VI. The complaint requests LEAA to conduct an investigation with respect to such alleged discriminatory practices, initiate an enforcement proceeding against defendants, determine that defendants have failed to comply with the LEAA equal rights regulations and cease all payments to the City Police Department under the Omnibus Crime Control Act until the City Police Department terminates such alleged discriminatory practices. LEAA has commenced an investigation of City Police Department employment practices. See "Sources of City Revenues—Federal and State Grants".

6. In October 1975 the plaintiffs in the LEAA action described in paragraph 5 above, on behalf of a purported class, commenced an administrative proceeding before the United States Department of the Treasury pursuant to the Federal Fiscal Assistance Act. The allegations and the relief sought are substantially the same as in the LEAA action except that the complaint also requests the Federal Office of Revenue Sharing within the Department of the Treasury to cease all Federal revenue sharing payments to the City until the alleged discriminatory practices have been terminated. See "Sources of City Revenues—Federal and State Grants".

7. On May 3, 1976 the Guardians Association and several black and Hispanic police officers on layoff since June 1975 commenced an alleged class action in the United States District Court for the Southern District of New York against the City Civil Service Commission and certain members thereof, the Department of Personnel of the City, and the City Police Department and its
commissioner. Plaintiffs allege that the City Police Department's use of its pre-1973 entry level examinations and its former requirement that all police officers be 67 inches or taller discriminated against them in violation of the Fourteenth Amendment to the United States Constitution, Title VII of the Federal Civil Rights Act of 1964 ("Title VII") and certain other Federal antidiscrimination statutes and that but for this discrimination they would have accrued sufficient seniority to withstand being fired. On March 17, 1977 the Court held that the height requirement and certain entry-level examinations administered by the Police Department prior to 1973 violate Title VII. On March 28, 1977 the Court ordered that members of plaintiffs' class be rehired by April 1, 1977 or, if they are not rehired, that defendants be preliminarily enjoined from laying-off or recalling any police officers. Defendants appealed from the District Court's order to the United States Court of Appeals for the Second Circuit. On March 31, 1977 the Court of Appeals stayed the District Court's order pending the determination of the appeal. The Court heard oral argument on April 28, 1977 and reserved decision.

LEAA has advised the City that in view of the District Court's decision, the Police Department has been found to be in "non-compliance" with the anti-discrimination provisions of the Omnibus Crime Control Act and that if the City does not comply with the Act within 90 days, the Police Department is subject to a suspension of LEAA financial assistance. According to LEAA, the Department is currently receiving LEAA funds totaling approximately $953,081. LEAA has denied the City's request not to take any action pending the ultimate judicial determination of the Guardians' case. The City has requested LEAA to reconsider its denial and, in the event LEAA adheres to its position to conduct an expedited administration, to determine whether LEAA financial assistance to the Police Department should be suspended.

8. On August 1, 1975 Women in City Government United, an unincorporated organization of female employees of the City and certain Covered Organizations, purporting to represent themselves and all other female employees of the City and certain Covered Organizations, commenced an alleged class action in the United States District Court for the Southern District of New York against the City, the City Employees' Retirement System and its officers and trustees and certain collective bargaining representatives of employees of the City and certain Covered Organizations. Plaintiffs allege that the retirement plans contained in collective bargaining agreements discriminate against female employees by requiring female employees to contribute toward retirement benefits a higher percentage of their salary than male employees earning the same salary but that upon retirement male and female employees are paid identical per annum retirement benefits in violation of Title VII and the regulations thereunder, the Civil Rights Act of 1871 and the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution. The complaint seeks a declaratory judgment that the alleged discriminatory practices violate Title VII and the Fourteenth Amendment and injunctive relief restraining defendants from (i) failing to adopt and implement retirement plans requiring the same contributions from and providing the same benefits to male and female employees; and (ii) failing to take the requisite action to overcome the alleged discriminatory acts, including providing for appropriate monetary payments and retirement credits to all female employees to compensate them for losses suffered as a result of the alleged discriminatory acts and practices and to equalize future retirement contributions and benefits with those of male employees. In their answer the defendants have denied all material allegations and all liability. In May 1977 the Court granted plaintiffs' motion to amend their complaint to add an additional claim asserting that the alleged discriminatory practices also violate the State Human Rights Law. An adverse decision could require additional annual contributions to the City Employees' Retirement System of approximately $40 million for a period of 10 years. If such adverse decision became applicable to the City Teachers' Retirement System and the City Board of Education Retirement System, further annual contributions to such Systems of approximately $30 million could be required for a period of 10 years. The City is currently unable to estimate the monetary payments which might be awarded to members of the City Employees' Retirement System and such other Systems in the event of adverse determinations.

*On June 21, 1977 the Court of Appeals vacated the judgment of the District Court and remanded the case to the District Court. On July 6, 1977 LEAA rescinded its notice of "non-compliance" since there is no longer a Court finding of a pattern or practice of discriminatory practices.
9. Numerous other actions have been commenced and claims asserted against the City and Covered Organizations in which it is alleged that the City and the Covered Organizations have discriminated against employees on the basis of race, color, national origin or sex with respect to hiring, promotion, discharge, benefit plans, leaves of absence and other terms and conditions of employment in violation of the Fifth and Fourteenth Amendments to the United States Constitution, Federal Civil Rights Acts, Title VI, Title VII, Title IX, the State Constitution, the City Administrative Code and Mayoral Executive Orders. The probable outcome of these actions and claims and the effect of adverse determinations on the Financial Plan or the City’s cash requirements are not currently predictable.

Real Estate Taxes

1. Consolidated Edison Company of New York, Inc. ("Con Edison") has commenced numerous proceedings in State Supreme Court, Albany County, against the City, the State Board of Equalization and Assessment and various other political subdivisions of the State in which Con Edison owns real property. Con Edison's petitions request that the assessments of its properties in the City for real property taxation for the 1975, 1976 and 1977 fiscal years be declared and determined to be erroneous because: (i) the assessments are illegal in that the Certificates of Final Special Franchise Assessments were not filed with the City as required by State law; (ii) the assessments overvalue Con Edison's properties; and (iii) the assessments result in inequality of treatment in that they were made at a higher proportionate valuation than assessments upon real property generally located in New York, Richmond, Kings, Queens and Bronx Counties. The petitions request a review of the assessments and a correction of said errors. Con Edison has claimed that its real properties within the City upon which taxes were levied were overvalued by approximately $2.8 billion for said years. In its answer the City has denied all material allegations and all liability. An adverse decision holding that the assessments were excessive by 5% might result in a tax loss to the City exceeding $6 million per year and the payment to Con Edison of a refund of approximately $19 million. The Court dismissed the illegality and inequality claims for the 1975 and 1976 fiscal years, but did not dismiss the claim for over-valuation. Cross-appeals from this decision are currently pending. If the dismissal of the illegality and inequality claims is affirmed on appeal, the amounts in dispute for fiscal years 1975 and 1976 would be reduced to $395 and $651 million, respectively. The same claims for the 1977 fiscal year involving $1.4 billion in assessments were not before the Court on this motion.

On August 12, 1975 the City commenced an action in State Supreme Court, New York County, against Con Edison and the State Board of Equalization to increase the fiscal year 1976 assessments by approximately $15 million. A similar action was commenced by the City on June 29, 1976 to increase the fiscal year 1977 assessments by $15.5 million. See "Sources of City Revenues—Real Estate Tax".

2. In October of 1972 and 1973 Con Edison and Marine Midland Bank, as trustee of a trust owning four barge-mounted power plants (the "Plants") moored on piers located in Gowanus Bay, commenced actions in State Supreme Court, County of Kings, against the City, the City Tax Commission and the Finance Administrator of the City. In their Petitions for Review of Tax Assessment plaintiffs allege that the Plants are personal property and not subject to real estate taxes for fiscal years 1973 and 1974. The Plants were assessed at approximately $65 million for each of the years. On February 25, 1975 the Court held that the Plants were properly classified as real property and subject to real estate taxes. On May 25, 1977 the Appellate Division of the State Supreme Court, Second Department, affirmed this decision. The City expects plaintiffs to appeal this decision to the State Court of Appeals. Plaintiffs also have commenced proceedings challenging the assessments made for fiscal years 1975 and 1976 on the same grounds. In addition, Con Edison installed two additional barge mounted power stations in 1974 which are
not currently within the scope of these proceedings. If the assessments are cancelled, the tax loss to the City might be approximately $34 million per year and Con Edison might be entitled to an aggregate refund of approximately $28 million for the fiscal years 1973 through 1976. See "Sources of City Revenues—Real Estate Tax".

3. For each of the fiscal years 1969-1977, Manhattan Cable Television, Inc. has commenced tax certiorari proceedings in State Supreme Court, New York County, to invalidate or reduce the real property tax assessments on its equipment which is assessed as real property pursuant to Section 102(12)(d) of the State Real Property Tax Law. The aggregate assessments challenged in these proceedings amount to $50 million. A decision that the cable television equipment constitutes personal property might result in a refund of approximately $3 million and also result in refunds to other cable television companies operating in the City. The Court has ruled that cable television equipment constitutes taxable real property. This decision has been appealed to the Appellate Division of the State Supreme Court, First Department. See "Sources of City Revenues—Real Estate Tax".

4. Teleon Realty Corporation, the owner of Olympic Towers, has commenced an action in State Supreme Court, County of New York, against the City seeking a declaratory judgment that: (i) the minimum tax ("mini-tax") mandated by Section 421 of the Real Property Tax Law ("Section 421"), which exempts certain residential dwelling units from City real property taxes during construction and for a period of 10 years following construction provided that taxes shall be paid during any such period at least in the amount of taxes paid during the tax year preceding the commencement of construction, may be satisfied by crediting the tax payments made during the exemption period on the commercial portion of the multipurpose Olympic Towers; and (ii) the mini-tax should be the amount of taxes paid on the real property during the year prior to construction rather than the assessed valuation for the year prior to construction multiplied by each year's then current tax rate as provided in the City Housing and Development Administration ("HDA") regulations. On December 8, 1976 the Court ruled that (a) the mini-tax may not be satisfied by payments made by the commercial portion of Olympic Towers, and (b) the mini-tax due was the amount of tax paid on the premises in the year before construction commenced. Approximately four hundred parcels in the City have been granted exemption and taxes assessed by the City pursuant to the HDA regulations. The Court's decision with respect to the computation of the mini-tax, if allowed to stand, would require the City to refund tax overpayments estimated at between $30 million to $40 million. The City intends to appeal this portion of the decision to the Appellate Division of the State Supreme Court, First Department. See "Sources of City Revenues—Real Estate Tax".

5. Numerous other actions have been commenced by other utilities, corporations, businesses and individuals owning real property in the City challenging the assessment of such real property for real estate tax purposes. The City is presently unable to predict the extent, if any, to which overassessments have been made or inequalities have occurred, and, if overassessments or inequalities have occurred, the amount of refunds which it could be required to make or the amount of tax losses which it might suffer. See "Sources of City Revenues—Real Estate Tax".

Environmental Laws

1. In October 1974 several non-profit organizations and two individuals commenced an action in the United States District Court for the Southern District of New York against the City, the State, the Mayor, the Governor and various State and City agencies. The complaint alleges that violations of the Federal Clean Air Act have occurred in that the City has not fulfilled all of its obligations under the New York City Metropolitan Area Air Quality Implementation Plan Transportation Controls ("TCP") which was adopted by the State and the City and approved by the Environmental Protection Agency ("EPA") pursuant to the Federal Clean Air Act. The complaint alleges that the City has failed to comply with the deadlines set forth in the implementation
schedule for the TCP. The TCP requires the City, among other things, to (i) establish and operate an emissions inspection center for livery vehicles; (ii) enforce certain traffic and parking laws; (iii) promulgate and enforce regulations limiting cruising by taxicabs; (iv) eliminate automobile parking in midtown Manhattan; (v) alter the use patterns of many of its public streets; (vi) impose tolls on all free bridges crossing the Harlem and East Rivers; and (vii) encourage after-hour goods deliveries. The City believes that compliance with certain of the requirements of the TCP will have a significant adverse impact on the City's economy.

Plaintiffs' motion for a preliminary injunction granting the relief requested by the complaint was denied by the District Court on December 16, 1974 with leave to renew the application. On July 30, 1975 plaintiffs renewed their motion for a preliminary injunction and, in addition, requested that the Transit Authority be enjoined from increasing mass transit fares until the TCP was fully implemented. On August 28, 1975 the Court denied plaintiffs' motion for a preliminary injunction and to enjoin the transit fare increase.

On April 26, 1976 the Second Circuit Court of Appeals (i) affirmed the denial of the preliminary injunction restraining the transit fare increase; (ii) awarded partial summary judgment in favor of plaintiffs directing enforcement of the provisions of the TCP requiring reductions in business district parking, a selective ban on taxicab cruising, tolls on the East and Harlem River Bridges and night-time freight movement; and (iii) ordered further hearings in the District Court to determine whether the defendants are in default in carrying out any of the other requirements of the TCP. On April 29, 1976 the District Court ordered the State and the Governor to submit by May 19, 1976 a detailed time schedule for compliance by the defendants with the aforementioned provisions of the TCP. The detailed time schedule was submitted by the State and the Governor on May 19, 1976.

On July 13, 1976 the District Court granted in part the City's motion to vacate the April 29, 1976 order. The District Court ruled that the Federal Clean Air Act permitted enforcement of the Plan against the State or its subdivisions (including the City) only to the extent that they might be direct polluters but not as obligating them to implement the Plan against others. On January 18, 1977 the Second Circuit Court of Appeals vacated the July 13, 1976 decision of the District Court and remanded the case to the District Court with directions to reinstate its April 29, 1976 order to the end that the pollution control strategies which were the subject of that judgment will be promptly implemented. On February 22, 1977 the District Court entered an order directing, among other things, (i) the defendants to comply with detailed time schedules for the implementation of the provisions of the TCP with respect to which enforcement has been ordered by the Second Circuit Court of Appeals, and (ii) the State and the Governor to file a statement setting forth each entity which will be performing the work necessary to comply with the schedules. On May 13, 1977 the District Court directed the Governor to comply with the requirements of the February 22, 1977 order by designating the persons or agencies to comply with the various directives of that order within 10 days. The Governor's time to comply with this order has been extended to July 5, 1977.

On June 2, 1977 the City filed a petition for writ of certiorari to the United States Supreme Court on the grounds that the enforcement of the TCP pursuant to the Federal Clean Air Act violates the Tenth Amendment to the United States Constitution and Article IV, Section 4 of the United States Constitution.

[See Addendum at page 93.]

2. On January 9, 1975 the EPA issued a notice of violations and institution of enforcement proceedings against the State and City defendants named in the action described in paragraph 1 above. The violations charged and relief requested by the EPA are substantially the same as in that action. In April 1975, after numerous meetings between the City, State and EPA, the EPA issued eight enforcement orders against the City and the State relating to the TCP. The City has consented to only two of these orders. On August 29, 1975 and September 2, 1975 the EPA unilaterally imposed a total of four more enforcement orders against the City. In a letter dated September 11, 1975 the City informed the EPA that the City would not comply with the proposed orders.
On June 22, 1977 the City requested the District Court to delete from the terms of its February 22, 1977 Order the imposition of tolls on all free bridges crossing the Harlem and East River and the reduction of automobile parking in midtown Manhattan or in the alternative to stay the operation of each of these provisions of the Order for a period of at least six months. On July 5, 1977 the District Court denied the City's request and ordered the City to submit to the EPA certain data relating to the partial ban on taxi cruising and the parking reduction strategies which the City had been required to submit by May 14, 1977. The City appealed this decision to the United States Court of Appeals for the Second Circuit and requested that Court to stay all further proceedings in the District Court pending final disposition of the City's petition for a writ of certiorari. By orders dated July 18, 1977 and July 19, 1977 the Court of Appeals denied the City's motion to recall its mandate or stay the District Court proceedings.

On July 29, 1977 the City applied to the United States Supreme Court for a stay of the District Court's order pending a determination on the petition for a writ of certiorari. On August 5, 1977 Justice Marshall denied the City's application.

On August 15, 1977 after extensive negotiation between the City, the United States Environmental Protection Agency and the plaintiffs' attorneys, agreements were reached and a plan for the core areas was adopted by EPA and agreed to by the parties, designed to substantially eliminate illegal parking, to effect a reduction of auto entries into Manhattan and to enhance traffic flow. These agreements were submitted by EPA to the District Court pursuant to the terms of that Court's Order. On September 19, 1977 the District Court entered an order approving the terms of these agreements and modified its order of February 18, 1977 so as to incorporate therein the provisions of the agreements.
On February 25, 1976 the EPA commenced an action in the United States District Court for the Southern District of New York seeking enforcement of the order requiring the City to inspect livery vehicles three times each year. On April 7, 1976, the City filed a motion to dismiss the complaint. [See Addendum A at page 94a]

3. On May 11, 1977, the United States commenced an action against the City in the United States District Court for the Southern District of New York. The complaint alleges that the City is operating four incinerators in violation of particulate emission standards contained in the New York State Air Quality Implementation Plan (the "Air Quality Plan") governing stationary sources of air pollution. The Air Quality Plan was prepared by the State and approved by the Administrator of the EPA pursuant to the Federal Clean Air Act. On the same day that the action was commenced, the City signed a proposed consent decree, whereby the City agreed to reduce the emission of particulates from the four incinerators. On July 11, 1977, the District Court entered an order approving the terms of the proposed consent decree. Under the proposed consent decree, the City would be required to replace three of the incinerators or install air pollution controls to bring the incinerators into compliance with all applicable emission limitations, the cost of which is estimated to be $32 million. Half of this sum is expected to be provided by the State under the State's Environmental Quality Bond Act. The fourth incinerator, the Gansevoort Municipal Incinerator, is in the path of the proposed "Westway" West Side Highway Project. The proposed consent decree provides that the City may continue operations at Gansevoort until it receives written assurance from the United States Department of Transportation and the State that the City will receive funds for a functional replacement of the Gansevoort facility. However, if no such assurance is obtained by July 1, 1978, the proposed decree provides that the United States may move to modify the decree to require the City to close down or install air pollution controls at the Gansevoort facility to bring it into compliance with all applicable emission limitations.

4. On or about December 18, 1974 Action For Rational Transit, an unincorporated association, and various other unincorporated associations and individuals commenced an action in the United States District Court for the Southern District of New York against the Secretary of the United States Department of Transportation, the Governor, the Mayor and certain Federal, State and City officials. The complaint seeks, among other things, to enjoin the defendants from proceeding with the West Side Highway Project (the "Project"), disbursements of funds in connection with the planning or construction of the Project, the issuance of approvals or permits in connection therewith or the condemnation of lands or properties in connection with the implementation of the Project. The complaint also seeks a declaratory judgment that the Project violates and is inconsistent with the TCP and that the Project violates various provisions of the Federal Clean Air Act and the regulations thereunder, the Federal-Aid Highway Act of 1973, the National Environmental Policy Act of 1969, and various other Federal and State statutes and regulations. The Financial Plan for the 1978 fiscal year projects receipt of approximately $80 million from the United States Department of Transportation with respect to the Project. An adverse decision in this action could delay or prevent the payment of such funds to the City. See "Financial Plan".

5. In July 1976 actions against the City and the Control Board were commenced in State Supreme Court, Nassau County, by the Town of Hempstead, the Town of Oyster Bay and the Village of Atlantic Beach. Plaintiffs seek (a) damages in the aggregate amount of $21 million allegedly resulting from deposits of City sewage on their public bathing beaches, and (b) an order requiring the City and the Control Board to rearrange and restructure the Capital Budget and Expense Budget in order to provide for construction and maintenance by the City of treatment facilities to abate the alleged deposits of sewage. In the event the Court renders a decision favorable to plaintiffs in all respects, these actions could result in an expenditure of up to approxi-
On August 31, 1977 the parties submitted to the Court a proposed partial consent decree settling the lawsuit with respect to the City defendants. Under the proposed consent decree, the City will be required to commence tri-annual emission inspections of medallion taxicabs. The total cost of compliance to the City is estimated at approximately $500,000 per year. On September 6, 1977, the District Court entered an order approving the terms of the partial consent decree.
mately $200 million in capital funds for sewage treatment facilities. The City has denied the material allegations of the complaints and all liability.

6. On or about October 8, 1976 the Township of Long Beach, New Jersey (the "Township") commenced an action in the United States District Court for the District of New Jersey against the City, the EPA and the administrator of the EPA. The Township, located on an island off the New Jersey coast, contends that alleged City sewage sludge dumping twelve miles off the coast and alleged City raw sewage discharges into the Hudson River adversely affect ocean water quality at its beaches in violation of the Federal Water Pollution and Control Act, the Federal Ocean Dumping Act, the Federal Marine Protection Research and Sanctuaries Act of 1972, the Federal Refuse Act of 1899 and the rights protected by the Ninth Amendment to the United States Constitution and the due process, equal protection and rights, privileges and immunities clauses of the Fourteenth Amendment to the United States Constitution. The Township seeks, among other things, that (i) the City be ordered to cease dumping and discharging raw sewage into New York Harbor; (ii) the EPA be required to draw new regulations which would require sewage sludge to be carried 100 miles off shore prior to being dumped; and (iii) the 1981 deadline established by the EPA for the prohibition of ocean dumping and completion of a new treatment plant be accelerated. In the event the Court renders a decision favorable to the Township in all respects, this action could result in an expenditure of up to approximately $30 million in capital funds in addition to the $200 million stated in paragraph 5 above which would be required for the construction of new sewage treatment facilities. The City has denied all material allegations and all liability in its answer.

7. On January 4, 1977 the National Sea Clammers Association and one of its members commenced an action in the United States District Court for the District of New Jersey against the City, the Mayor, the EPA and its administrator, the United States Army Corps of Engineers and the Secretary of the Department of the Army, the State Department of Environmental Conservation and its commissioner, the New Jersey Department of Environmental Protection and its commissioner and various local governmental bodies in the State and New Jersey. The complaint alleges that the defendants have polluted the waters of the Atlantic Ocean, the Hudson River and New York Harbor in violation of the statutes enumerated in the action described in paragraph 6 above, the State Environmental Conservation Law, the Federal Rivers and Harbors Act of 1899, various New Jersey statutes and the Federal National Environmental Policy Act. The complaint also alleges that the defendants by polluting the waters of the Atlantic Ocean, the Hudson River and New York Harbor have taken and destroyed property held in trust for public benefit, use and enjoyment without compensation in violation of the Fifth Amendment to the United States Constitution. Plaintiffs seek substantially the same relief as is sought by plaintiff in the action described in paragraph 6 above and, in addition, seek actual damages of $250 million, punitive damages of $250 million and to have fines of $50,000 per day levied against the City for each day in which illegal ocean dumpings occur. If the Court renders a decision favorable to plaintiffs in all respects the City would be required to pay its share of the damages awarded in addition to the $200 million stated in paragraph 5 above which would be required for the construction of new sewage treatment facilities. The City has denied all material allegations and all liability in its answer.

Miscellaneous

1. On February 21, 1975, Guy F. Atkinson Company, Dravo Corporation, S. J. Groves & Sons Company, The Arundel Corporation, L. E. Dixon Company an Ostrander Construction Company (the "Contractors") commenced an action in the United States District Court for the Southern District of New York against the City and four commissioners of the City's Board of Water Supply. The claims alleged arise out of disputes involving contracts awarded by the City to the Contractors for the construction of a water tunnel in the Counties of Westchester, Bronx, New
York and Queens. The Contractors seek, among other things: (i) damages in the amount of $205 million for all work performed and monies expended by the Contractors and defendants' alleged breaches of the contracts; (ii) a declaratory judgment that the City's declaration of default by the Contractors was unlawful and a nullity; and (iii) exemplary damages arising out of defendants' misrepresentations in applying for authority to construct the water tunnel and as to the sub-surface conditions to be encountered by the Contractors in the construction of the water tunnel. In March 1977 the parties entered into a stipulation permitting the Contractors to revise their amended complaint to: (i) increase the request for damages from $205 to $217 million; (ii) add a demand for damages for lost anticipated profit and overhead on the uncompleted portion of the contracts; and (iii) assert a claim for special damages arising out of the work the Contractors allegedly lost as a direct result of the City's declaration of default against the Contractors.

On June 13, 1977 the City served an answer to the Contractors' revised amended complaint which denied all material allegations and all liability. In addition, the City served a counterclaim alleging, among other things, that the Contractors abandoned work on the water tunnel without legal cause or justification and seeking $369 million as damages for, among other things, the cost of completing the water tunnel.*

On April 1, 1976, the City instituted an action in State Supreme Court against 14 surety companies on the bonds they executed and delivered to the City insuring the Contractors' performance of the construction contracts. The City seeks, among other things, specific performance of the sureties' obligation to perform and complete the contracts if the Contractors, for any cause failed or neglected to perform and complete the contracts, and $281 million in damages. On July 22, 1976 the sureties moved to dismiss the complaint in its entirety or, in the alternative, to stay proceedings as to any causes of action remaining until the suit brought by the Contractors is resolved. The City has opposed this motion.

2. The City Health and Hospitals Corporation ("HHC") has commenced two actions against the City, the Mayor, the members of the Board of Estimate and the members of the City Council in State Supreme Court, County of New York. In both actions the HHC alleges that the City has failed to appropriate and pay to the HHC the minimum amount required by Section 6-1(a) of the New York City Health and Hospitals Corporation Act and amounts required to reimburse the HHC for furnishing medicaid services. The first petition, which was filed on October 19, 1972 and also names the City's Social Services Administrator as a defendant, seeks to compel the City to appropriate and pay to the HHC approximately $80 million for fiscal years 1971 through 1973. In its answer the City has denied all material allegations and all liability. The second petition was filed on October 25, 1973 and seeks approximately $48.8 million for fiscal year 1974. The City's time to answer or move with respect to the second petition has not yet expired. In addition, the HHC has asserted an additional claim of $55.2 million for fiscal year 1975 and also has suggested an alternative means of computing its claims which would increase the total amount of its claims to $387.9 million.

3. Numerous actions, two of which purport to be class actions, have been commenced by owners of riparian lands adjoining the Delaware River in Pennsylvania against the City in the United States District Court for the Southern District of New York and State Supreme Court. One of the class actions has been discontinued. The complaints allege that the diversion of water from the Delaware River into the City water supply system has violated the riparian and water rights of said owners, constitutes a taking of private property without compensation in violation of the United States Constitution and the State Constitution and constitutes a trespass of riparian rights. In its answers, the City has denied all material allegations and all liability. Five of the actions in the United States District Court for the Southern District of New York were tried in June 1975 and the Court reserved decision in each action. Should plaintiffs in any of these actions prevail an estimated 10,000 to 20,000 other owners of riparian lands might institute similar actions against the City. Should these actions be resolved adversely to the City, the City estimates that the average recovery could be as high as $10,000.

*The Contractors have served a reply to the City's counterclaim denying liability.
4. The City is also a party to numerous actions and administrative proceedings challenging the recent reductions in City services and personnel. The probable outcome of these actions and proceedings and the effect of adverse determinations on the Financial Plan and the City's cash requirements are not currently predictable.

5. Under the Financial Plan the City and Covered Organizations have been required to curtail or terminate certain projects in progress and various other contracts. This may result in substantial claims against the City and the Covered Organizations for breach of contract and specific performance. The City is unable to estimate the exact amount of such claims.

ECONOMIC AND SOCIAL FACTORS

This section presents information on what the City considers to be its major economic and social indicators. The economic and social factors described here influence, directly and indirectly, both City revenues and City expenditures. They affect the ability of the City to impose and collect, and the ability of City residents to pay, taxes, and they determine in part the level of demand for services which the City must provide. Also described in this section are factors which may have a significant, though indirect, impact on the City's tax base and economic structure.

Where possible, long and short term trends have been noted although any projection of these trends beyond the present has been avoided. In addition, the City's experience has been compared to that of other large cities in the United States, particularly those with populations of more than one million.

The data presented here are the latest available. Sources of the information are indicated immediately following each table. Sources for some statements in the text appear in the text itself. Although the City considers the sources to be reliable, the City has made no independent verification of the information presented herein and does not warrant its accuracy.

Economic Recovery Program

On December 20, 1976, the City unveiled a five year economic development program, a series of proposals designed to create a positive business climate in the City and to combat the decline in business activity and employment. Among the key features under consideration are:

—Holding the line on business taxes in general, and reducing specific taxes that have been particularly burdensome to companies in the City;
—Expanding tax abatement and other financial assistance programs to stimulate industrial and commercial expansion and new construction;
—Creating an effective and responsive organizational structure within City government to implement the program and provide appropriate services to business;
—Enlisting the assistance of the private sector in the program to revitalize the economy;
—Launching a professional campaign to market the City as a place to do business.

Population

The population of the City remained relatively stable between 1950 and 1970, even rising slightly (+1.5 per cent) from 1960 to 1970 but has declined since that date.

NEW YORK CITY POPULATION 1950-1975

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<th>Year</th>
<th>Population</th>
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<td>7,891,957</td>
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(a) Preliminary estimate.


97
United States of America
Acting by and through the
Secretary of the Treasury

Dear Sir:

This letter is being given to you with reference to Section 5.2 of the Credit Agreement dated December 30, 1975 among the United States of America, the State of New York, the City of New York and the New York State Emergency Financial Control Board (the "Credit Agreement"). Except as set forth in the document attached to the Signature and No-Litigation Certificate dated October 4, 1977, to the best of my knowledge, there is no litigation and no legal or administrative proceeding pending or threatened against the City of New York, or any of its officers, or by which it would be bound, which questions the validity of or compliance by the City of New York with the terms of the aforesaid Credit Agreement or of any action taken or to be taken pursuant to or in connection therewith, including without limitation, payment of any Note issued pursuant thereto.

Except as disclosed in the Official Statement of the Municipal Assistance Corporation, as defined in Section 5.2 of the Credit Agreement, and in the document attached to the Signature And No-Litigation Certificate dated October 4, 1977, neither the execution and delivery of the Agreement nor the consummation of any transaction therein referred to or contemplated thereby nor the fulfillment of the terms thereof or of any agreement or instrument referred to in the Agreement has constituted or resulted in or will constitute or result in a breach of the provisions of any agreement to which the City is a party or by which it is bound, or the violation of any judgment, decree or governmental order, rule or regulation applicable to it, or will result in the creation under any
agreement or instrument of any security interest, lien, charge
or encumbrance upon any of the assets or properties of, or
held for the benefit of, the City.

Very truly yours,

W. Bernard Richland
Corporation Counsel
October 4, 1977

Hon. Hugh L. Carey
Governor
Executive Chamber
The Capitol
Albany, New York  12224

Dear Governor Carey:

As Attorney General for the State of New York and in connection with the sale and issuance by the City of New York to the United States of America of two Revenue Anticipation Notes For Moneys Due From The State in 1977-1978, dated October 4, 1977, totaling $325,000,000 and in the individual amounts of $275,000,000 and $50,000,000, I conclude as follows.

Except as disclosed in the Official Statement, as supplemented, including the Official Statement of the Corporation dated August 24, 1977, or in a document which may be delivered to the Secretary and identified by reference to Section 5.3 of the Agreement, neither the execution and delivery of the Credit Agreement dated December 30, 1975 nor the consummation of any transaction therein referred to or contemplated thereby, including the transaction with reference to which this opinion is issued, nor the fulfillment of the terms thereof or of any agreement or instrument referred to in the Agreement has constituted or resulted in or will constitute or result in a breach of the provisions of any agreement to which either the State or the New York State Emergency Financial Control Board is a party or by which they are bound, or the violation of any judgment, decree or governmental order, rule or regulation applicable to them, or will result in the creation under any agreement or instrument of any security interest, lien, charge or encumbrance upon any of the assets or properties of, or held for the benefit of, the State or the Board.
Except as described in the Official Statement, as supplemented, including the Official Statement of the Corporation dated August 24, 1977, there is no litigation and no legal or administrative proceeding pending or threatened against the State, the Board or any officer thereof, or by which any of them would be bound, either to my knowledge or which has been called to my attention, which questions the validity of or compliance by any of them with the terms of the Credit Agreement or of any action taken or to be taken pursuant to or in connection therewith, except that an action is pending by federal taxpayers which questions compliance by the City of New York and the Board with certain assumptions on which the Credit Agreement is allegedly based, to which the defendants have interposed what I believe to be a valid defense.

Also, it should be noted that on November 19, 1976, the New York State Court of Appeals declared the Moratorium Act affecting certain New York City Notes unconstitutional. The Court of Appeals decision did not specify the terms on which the City must provide payment to the holders of notes formerly subject to the moratorium, but gave the parties time to prepare a plan to be submitted to it for approval on 30 days' notice. Approximately $2.4 billion of city notes was subject to the Moratorium Act, including approximately $983 million held by the public, approximately $600 million held by MAC which was received by it in exchange for MAC Bonds, and approximately $820 million held by city pension funds and financial institutions which were exchanged for MAC bonds on September 14, 1977. On February 8, 1977, the Court of Appeals issued its remittitur, remitting the matter to Supreme Court, New York County, to provide for the payment of the principal and interest on notes owned by the public. Since the Court of Appeals decision, $403,000,000 in City notes were exchanged for MAC bonds; and approximately $380,000,000 was required by the State Supreme Court, by appropriate judgments and orders, to be paid by June 30, 1977, on additional notes having a face amount in excess of $371,000,000; leaving a maximum of approximately $208,000,000 in notes remaining to be paid during the City's 1977-1978 fiscal year which commenced July 1. As of September 19, 1977 $170,200,000 in notes remained to be paid. The City has announced a plan to pay judgments
for the balance of the notes held by the public as they come due. However, if the City is unable to meet the payment schedules fixed by the Court, the City might be required to seek the protection of the Federal Municipal Bankruptcy Act.

It is my understanding that the United States of America will also rely on this opinion.

Very truly yours,

LOUIS J. LEFKOWITZ
Attorney General
4 October 1977

The Honorable W. Michael Blumenthal
Department of the Treasury
Fifteenth Street & Pennsylvania Avenue
Washington, D. C. 20220

Dear Mr. Secretary:

Reference is made to the Credit Agreement dated as of the 30th day of December 1975 by and among the United States of America, the State of New York, the City of New York and the New York State Emergency Financial Control Board (the "Credit Agreement").

Municipal Assistance Corporation For The City of New York (the "Corporation") understands that a borrowing is being made by The City of New York pursuant to the Credit Agreement. In this connection, you have asked us to inform you of any litigation of the sort referred to in Section 11.2 of the Credit Agreement.

Please be advised that, to the best of our knowledge, except as described in Section 5.2 of the Credit Agreement, there is no litigation and no legal or administrative proceeding pending or threatened against the Corporation, or against any officer of the Corporation, or by which the Corporation would be bound, which questions the validity of the Credit Agreement or any Note issued thereunder or of any action to be taken by the Corporation pursuant to or in connection with the Credit Agreement of any such Note.

For your information, however, please be advised of the litigations described in the Official Statement of the Corporation dated August 24, 1977, a copy of which is enclosed herewith.

Very truly yours,

[Signature]
Eugene J. Keilin
Executive Director

EJK/mp
October 4, 1977

THE CITY OF NEW YORK

Certificate Delivered Pursuant to Sections 3.4 and 3.7 of the
Credit Agreement Dated as of December 30, 1975

The undersigned certify that they are duly elected or
appointed officers of the City of New York (the "City") holding
the offices set forth under their names below, and that, as
such, they are authorized to execute and deliver this Certifi-
cate on behalf of the City, and further certify as follows:

(1) the representations and warranties contained in
the Credit Agreement by and among the United
States of America and State of New York, the City,
and the New York State Emergency Financial Control
Board, dated December 30, 1975 ("the Credit Agree-
ment"), are true and correct on the date hereof
with the same force as though made on this date;

(2) no default has occurred under the Credit Agree-
ment or any note issued by the City in accord-
ance with the Credit Agreement;

(3) City-retained private bond counsel has questioned
whether under present law bonds can be properly
sold to finance certain so-called expense items
authorized by the Local Finance Law. Assuming the
conclusions of such private bond counsel to be cor-
rect (which the City's Corporation Counsel disputes),
but in no way conceding their correctness, the under-
signed have no reason to believe that the sale of
§846 million principal amount of serial bonds to
certain pension and sinking funds projected for the
City's Fiscal Year 1978 will be adversely affected
by the questions raised by such bond counsel (this
certification shall in no way prevent the City from
selling such serial bonds to finance such expense
items if, at the time, recognized bond counsel has
rendered an opinion with respect to the legality
of financing such expense items);

(4) attached hereto as Exhibit A are true and correct
copies of letters to the Comptroller of the State
of New York and to Bankers Trust Company from the
City of New York and the New York State Emergency
Financial Control Board giving instructions pursuant
to Section 6.3 of the Credit Agreement in connection
with the loan to be made today under the Credit
Agreement; and
(5) the undersigned have no reason to believe that any event has occurred that would result in a material adverse change in the Monthly Forecast of Cash Components included in the Loan Request dated September 27, 1977. Attached hereto is a later cash forecast which was supplied to the New York Office of the Treasury on September 28, 1977.

(6) The statements and commitments contained in the "Certificate of the Mayor and Comptroller pursuant to Section 6.11 of the Credit Agreement" delivered on September 27, 1977 in connection with the sale by the City of New York on October 4, 1977 of Revenue Anticipation Notes for $325 million to the United States of America were true and correct as of September 27th and continue to be true with the same force and effect as though made on October 4, 1977 except as set forth below:

On October 3, 1977 the Mayor forwarded to the Governor a draft of proposed legislation (copy attached) establishing an arrangement whereby the Revenue Anticipation Notes proposed to be issued to the public would be protected by a segregated source of payment. In a covering letter to the Governor (copy attached) the Mayor urged the earliest possible consideration of this matter.

[Signature]
Mayor

[Signature]
Comptroller

Approved as to form:

[W. Bernard Richland]
W. Bernard Richland
Corporation Counsel
## REPORT 4

**CITY OF NEW YORK**  
**OFFICE OF THE COMPTROLLER**  
**MONTHLY FORECAST OF MAJOR COMPONENTS**  
**($ MILLIONS)**

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*The table above represents the monthly forecast of major components for the City of New York, showing budgeted expenses, revenues, capital, super advances, cash flow, and net cash flow for each month from July to June.*
October 3, 1977

Honorable Hugh L. Carey
Governor
The State of New York
1350 Avenue of the Americas
New York, New York 10019

Dear Governor Carey:

Attached is a draft of proposed State legislation establishing an arrangement for the payment of revenue anticipation notes of the City. I am proposing this legislation to facilitate a public offering of City notes. As you are aware, the Federal Credit Agreement requires the City to use its best efforts to finance its seasonal requirements without resort to the Federal loan. The City's underwriters have indicated that such an arrangement as would be provided by the proposed legislation is necessary for the City to issue notes to public investors.

The proposed legislation has been drafted in consultation with the City's Corporation Counsel, W. Bernard Richland, the City's bond counsel for the note offering, Willkie, Farr & Gallagher, underwriters for the proposed offering, Merrill Lynch, Pierce, Fenner & Smith Inc. and First Boston Corporation, and underwriters' counsel.

I urge the earliest possible consideration of this matter by the Legislature.

Very truly yours,

Abraham D. Beame
MAYOR
AN ACT to amend the local finance law in relation to the issuance of revenue anticipation notes by the city of New York in anticipation of state aid and local assistance during the fiscal years of such city ending June thirtieth, nineteen hundred seventy-eight and nineteen hundred seventy-nine, and providing for other matters in relation to court preference and severability.

The people of the State of New York represented in Senate and Assembly do enact as follows:

Section 1. Statement of legislative findings and purposes. It is hereby found and declared that, to meet the cash flow needs of the city of New York during the period from December thirtieth, nineteen hundred seventy-five to June thirtieth, nineteen hundred seventy-eight, the city resorts to borrowing under a loan agreement with the federal government, and as a condition to each loan request, the city must demonstrate that it is using its best efforts to meet seasonal borrowing without resort to such federal loan agreement.

It is therefore necessary to provide a means whereby the city will be able to acquire such needed funds by offering financing arrangements to the investing public which will be adequate to
allow the city to issue and market its own faith and credit obligations.

Section 2. Section 25.00 of the local finance law is hereby amended by adding a new paragraph i to read as follows:

i. 1. The provisions of this paragraph shall apply only to revenue anticipation notes, including renewals, issued by the city of New York during its fiscal years ending June thirtieth, in each of the years nineteen hundred seventy-eight to nineteen hundred eighty-two, both inclusive, in anticipation of the receipt of state aid and local assistance, other than per capita state aid payable pursuant to section fifty-four of the state finance law, except such notes as shall be sold by such city to the federal government or the state, or any department, agency, fund or instrumentality of either or of such city.

2. Each issue of revenue anticipation notes shall be issued only against a specific type or types of state aid and local assistance, provided that the amount of indebtedness to be contracted for each such specific type of state aid and local assistance shall be stated in the proceedings authorizing the issuance of such notes. Revenue anticipation notes shall be payable only at the office of a bank or trust company designated as the paying agent of such city for such issue in accordance with section 54.00 of this chapter. Revenue anticipation notes, including any renewals thereof, shall mature not later than the last day of the fiscal year in which such notes were originally issued. The proceedings authorizing revenue anticipation notes may include provisions, which shall constitute a covenant by such city...
with the holders, from time to time, of such notes, limiting the power of the city to authorize and issue additional notes during the then current fiscal year of such city in anticipation of the same specific type or types of state aid and local assistance as the notes authorized by such proceedings.

3. Prior to the delivery of each issue of revenue anticipation notes, the chief fiscal officer of such city shall file with the state comptroller a certificate setting forth with respect to such issue (i) the principal amount, (ii) the date of issue, (iii) the maturity date, (iv) the interest rate or rates, (v) if interest shall be payable otherwise than at maturity, the date or dates for the payment thereof, (vi) the name and address of the paying agent, (vii) the name and address of the purchaser, or if the purchaser shall be a syndicate or similar account, the name and address of the managing underwriter of such syndicate or similar account, (viii) the amount payable on each principal and interest payment date and (ix) a description of the type or types of state aid and local assistance in anticipation of which such revenue anticipation notes are being issued and, if different types of state aid and local assistance are involved, the amount of indebtedness being contracted against each specific type of state aid and local assistance.

4. All revenue anticipation notes, in addition to a pledge of the faith and credit of such city for the payment thereof, shall contain a recital to the effect that they are entitled to the benefits of the provisions of this paragraph.

5. In the event moneys in an amount sufficient to pay the
principal and/or interest due on each payment date with respect to any issue of revenue anticipation notes are not paid by such city to the paying agent designated for such issue by the tenth day preceding such payment date, such paying agent shall be obligated forthwith to make and deliver to the state comptroller a certificate stating that moneys sufficient to pay the principal and/or interest payment due on such payment date have not been received from such city and the amount required in order to make such payment in full. Such latter amount shall reflect any partial payment which shall have been made by such city to such paying agent. A copy of such certificate shall be filed by the paying agent with the chief fiscal officer of such city.

6. After receipt of such certificate and not less than five days prior to the payment date referred to therein, the state comptroller shall pay to such paying agent from moneys as provided in subdivision seven of this paragraph the amount required to pay in full the principal and/or interest due on such payment date as set forth in such certificate. Title to the moneys so paid immediately shall pass from the state and vest in such paying agent in trust for the benefit of the holders of the revenue anticipation notes to which such certificate relates. Such moneys shall be held by such paying agent in a separate trust account and shall be applied only to the payment of the principal and/or interest due on such revenue anticipation notes, provided, however, that the contract by and between such city and such paying agent may provide for the investment by such paying agent of such moneys in direct obligations of the United States of America, or in obligations
guaranteed by the United States of America, provided such obligations shall be payable or redeemable at the option of the owner within such time as the proceeds shall be needed to pay such principal and/or interest due on such revenue anticipation notes. No person having any claim of any kind in tort, contract or otherwise against such city shall have any rights to or claim against any moneys of the state appropriated by the state and which otherwise would become payable to such city or the New York state emergency financial control board for state aid and local assistance to such city or against any moneys held by any paying agent pursuant to this subdivision, and such moneys shall not be subject to any order, judgment, lien, execution, attachment, set-off or counterclaim by any such person. Notwithstanding any provision of law to the contrary, no instrument relating to any transaction authorized or contemplated by this paragraph need be filed under the provisions of the uniform commercial code.

7. The state comptroller shall deduct and withhold from the amount appropriated for each specific type of state aid and local assistance to such city a sufficient amount to pay, when due, the principal of and interest on all revenue anticipation notes issued in anticipation thereof. Such deduction and withholding shall be done in such manner that the amount of any specific type of state aid and local assistance, against which revenue anticipation notes have been issued, remaining to be paid to such city on or before any principal and/or interest payment date with respect to such notes shall not be less than the amount due on such date after deducting any amount theretofor paid by such city to the
paying agent on account thereof. In each case, the payments required to be made by the state comptroller pursuant to subdivision six of this section shall be made from amounts so deducted and withheld, together with an amount equal to interest computed from the date from which such amount was deducted and withheld to the date of actual payment thereof at a rate of interest equal to the yield at which the United States government last sold thirtyday treasury bills prior to such date of payment, provided, that where any issue of revenue anticipation notes has been issued in anticipation of different types of state aid and local assistance as authorized by subdivision two of this paragraph, such deduction and withholding and payment shall be made proportionately from the specific types of state aid and local assistance concerned according to the principal amount of indebtedness contracted against each specific type of state aid and local assistance.

8. The state of New York hereby covenants with the holders from time to time of revenue anticipation notes issued by such city that it will not repeal, rescind or revoke the provision of this paragraph 1 or amend or modify the same so as to limit or impair the rights and remedies granted hereby to such holders, provided, however, that nothing in this subdivision contained shall be deemed or construed as giving or pledging the credit of the state or as requiring the state to continue the payment of any specific type or types of state aid or assistance to such city or as limiting or prohibiting the state from repealing or amending any law heretofore or hereafter enacted relating to state aid and local assistance to such city, the manner and
time of payment or apportionment thereof, or the amount thereof, nor, shall such revenue anticipation notes be a debt of the state and the state shall not be liable thereon.

§ 9. All other provisions of this chapter not inconsistent with the provisions of this paragraph i shall continue to apply to the authorization and issuance of revenue anticipation notes by such city. Nothing herein contained shall be deemed or construed as affecting the requirements of paragraph f of subdivision one of the New York State Financial Emergency Act for The City of New York, or any other provision of such act not inconsistent herewith.

Section 3. Court preference. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of this state, any party in interest shall have a direct appeal as of right to the court of appeals of the state of New York, and such appeal shall have preference over all other causes. Service upon the adverse party of a notice of appeal shall stay the effect of the judgment or order appealed from pending the hearing and determination of the appeal.

Section 4. Severability. If any section, part or provision of this act shall be declared unconstitutional or invalid or ineffective by any court of competent jurisdiction, such declaration shall be limited to the section, part or provision directly involved in the controversy in which such declaration was made and shall not affect any other section, provision or part thereof.

Section 5. This act shall take effect immediately.
EXHIBIT A

July 5, 1977

The Honorable Arthur Levitt
Comptroller, State of New York
The Governor Alfred E. Smith
State Office Building
Albany, New York 12225

Dear Sir:

The City of New York (the "City") is selling notes in a principal amount of $750 million in July, and intends to sell other notes in the 1977-1978 fiscal year of the City to the United States of America acting by and through the Secretary of the Treasury (the "Secretary") pursuant to a Credit Agreement ("Agreement"), dated December 30, 1975, by and among the City, the State of New York (the "State"), the Secretary, the New York State Emergency Financial Control Board (the "Board") and others.

These notes are issued in anticipation of the receipt of certain revenues by the City.

In Article 6 of the Agreement the City agreed to issue to the payor of such revenues irrevocable instructions, except pursuant to direction by the Secretary of the Treasury, to pay all such revenues, to the extent such revenues were not theretofore subject to any prior claim, directly to a special separate bank account. We have established such an account at Bankers Trust Company (the "Bank"), named "Commissioner of Finance, City of New York, Emergency Financial Control Board Federal Loan Repayment Account" (A/C #50-015-681) ("Account"). Pursuant to said Agreement, the City and the Board hereby irrevocably instruct you to pay, except pursuant to direction by the Secretary of the Treasury, the revenues described below directly to the Account at the Bank for deposit therein, conditioned, however, on the following: that the payments are subject to any existing prior contingent claims pursuant to existing State law; that the payments are subject to the availability to the State of funds sufficient for such payments; with respect to the three payments described as "State Advance", that such payments are subject to the authorization of the State legislature. The revenues that you are irrevocably instructed to pay to the Account are those represented by the following estimates:

<table>
<thead>
<tr>
<th>Source of Revenue</th>
<th>Expected Amounts and Times of Receipt of Funds</th>
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<tbody>
<tr>
<td>State Advance</td>
<td>$ 400  April 15, 1978</td>
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<tr>
<td>State Aid to Education</td>
<td>208    April 15, 1978</td>
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<tr>
<td>State and Federal Welfare</td>
<td>113    April 15, 1978</td>
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<tr>
<td>State Advance</td>
<td>200    May 15, 1978</td>
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<tr>
<td>State Aid to Education</td>
<td>208    May 15, 1978</td>
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<tr>
<td>State and Federal Welfare</td>
<td>113    May 1, 1978</td>
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<td>State and Federal Welfare</td>
<td>113    May 20, 1978</td>
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<tr>
<td>Source of Revenue</td>
<td>Expected Amounts and Times of Receipt of Funds (in millions)</td>
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<tr>
<td>State Advance</td>
<td>$ 200 June 15, 1978</td>
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<td>State Aid to Education</td>
<td>208 June 15, 1978</td>
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<tr>
<td>State and Federal Welfare</td>
<td>113 June 15, 1978</td>
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<tr>
<td>State Revenue Sharing</td>
<td>* 529 June 30, 1978</td>
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<tr>
<td>Sales Tax</td>
<td>** 164 June 30, 1978</td>
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<tr>
<td>Stock Transfer Tax</td>
<td>** 59 June 30, 1978</td>
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<tr>
<td>Welfare Settlement</td>
<td>50 June 30, 1978</td>
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<tr>
<td>Motor Fuel Tax</td>
<td>15 June 30, 1978</td>
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*Prior to MAC takeout of $144 million  
**Prior to MAC takeout of $84 million

With respect to each of the above, would you wire the funds directly to the Bank and inform the New York City Department of Finance of such transfer by telephone (212-566-1948) by 10:00 A.M. on the day on which the transfer is to be made.

Very truly yours,

THE CITY OF NEW YORK

By [Signature]
Mayor

and

By [Signature]
Comptroller

NEW YORK STATE EMERGENCY FINANCIAL CONTROL BOARD

By [Signature]
Stephen Berger
Executive Director

Accepted and Agreed as of the date indicated above

STATE OF NEW YORK

By [Signature]
Comptroller

cc: Secretary of the Treasury
October 4, 1977

The Honorable Arthur Levitt
Comptroller, State of New York
The Governor Alfred E. Smith
State Office Building
Albany, New York 12225

Dear Sir:

On July 5, 1977 the undersigned sent you a letter pursuant to the Credit Agreement, which irrevocably instructed you to pay, except pursuant to direction by the Secretary of the Treasury, the revenues described therein.

Included in the July 5, 1977 letter was an estimated schedule of revenues to pay to the account established at Bankers Trust Company named "Commissioner of Finance, City of New York, Emergency Financial Control Board Federal Loan Repayment Account" (A/C # 50-015-681). Since the July 5, 1977 letter, the estimated schedule of revenues has changed; the current estimated schedule of revenues is as follows:

<table>
<thead>
<tr>
<th>Source of Revenue</th>
<th>Expected Amounts and Times of Receipt of Funds (in millions)</th>
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<tbody>
<tr>
<td>State Advance</td>
<td>$ 400 April 15, 1978</td>
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<tr>
<td>State Aid to Education</td>
<td>211 April 15, 1978</td>
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<tr>
<td>State and Federal Welfare</td>
<td>119 April 15, 1978</td>
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<tr>
<td>State Advance</td>
<td>200 May 15, 1978</td>
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<td>State Aid to Education</td>
<td>208 May 15, 1978</td>
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<td>State and Federal Welfare</td>
<td>119 May 1, 1978</td>
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<td>State and Federal Welfare</td>
<td>113 May 15, 1978</td>
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<tr>
<td>State Advance</td>
<td>200 June 15, 1978</td>
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<tr>
<td>State Aid to Education</td>
<td>282 June 15, 1978</td>
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<tr>
<td>State Revenue Sharing</td>
<td>* 529 June 30, 1978</td>
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<tr>
<td>Sales Tax</td>
<td>** 104 June 30, 1978</td>
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<tr>
<td>Stock Transfer Tax</td>
<td>** 54 June 30, 1978</td>
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<tr>
<td>Welfare Settlement</td>
<td>39 June 30, 1978</td>
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<tr>
<td>Motor Fuel Tax</td>
<td>15 June 30, 1978</td>
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<td>** 2,701</td>
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</table>

*Prior to MAC takeout of $195 million
**Prior to MAC takeout of $80 million
With respect to each of the above, would you wire the funds directly to the Bank and inform the New York City Department of Finance of such transfer by telephone (212-566-1948) by 10:00 A.M. on the day on which the transfer is to be made.

Very truly yours,

THE CITY OF NEW YORK

By

Mayor

and

Comptroller

NEW YORK STATE EMERGENCY
FINANCIAL CONTROL BOARD

By

Comptroller

Accepted and Agreed as of the date indicated above

STATE OF NEW YORK

By

Comptroller

cc: Secretary of the Treasury
United States of America
Acting by and through the
Secretary of the Treasury

Dear Sir:

In my capacity as Corporation Counsel for the City of New York (the "City") and in connection with the sale and issuance by the City to you of Revenue Anticipation Notes for moneys due from the State in 1977-1978 dated October 4, 1977 in the total aggregate amount of $325,000,000 (the "Notes"),

I have examined, among other things, the following:

(a) The Constitution and statutes of the State of New York;

(b) The Certificate authorizing the issuance of the Notes;

(c) The Certificate awarding the Notes;

(d) The Debt Statement of the City pursuant to Section 3038(9) of the Public Authorities Law;

(e) A certified copy of the Resolution of the New York State Emergency Financial Control Board, duly adopted by the Board at a meeting held on September 30, 1977, approving the borrowing, the Notes and the Loan Request;

(f) A certified copy of the Resolution of the Finance Committee of the Municipal Assistance Corporation for the City of New York duly adopted by the Committee on September 29, 1977 approving the Notes;
(g) The Credit Agreement dated December 30, 1975 by and among you on the one hand, and the City, the State of New York, and the New York State Emergency Financial Control Board, on the other hand (the "Credit Agreement").

I have also considered and taken into account the fact that the revenues in anticipation of which the Notes are to be issued are issued against specific types of revenue within the meaning of New York Local Finance Law §25.00, b, (d).

Based upon the foregoing and upon an examination of such other documents and instruments and matters of law as I have deemed necessary to enable me to render this opinion, I am of the opinion that:

1. The Notes have been duly and validly authorized and issued by the City, are legal, valid and binding general obligations of the City for the payment of which the faith and credit of the City has been duly and validly pledged, and are enforceable in accordance with their terms.

2. There is no limit upon the rate or amount of ad valorem taxes which may be levied upon taxable real property within the City necessary to pay the Notes and interest thereon.

3. No consent, approval, authorization or order of any court or governmental agency or body not already obtained is required with respect to the City for the valid execution and delivery by the City of the Notes.

4. The Credit Agreement has been duly authorized, executed and delivered by the City, is a binding and valid obligation of the City and can be enforced against the City according to its terms.

Very truly yours,

[Signature]

W. Bernard Richland
Corporation Counsel
THE CITY OF NEW YORK

REVENUE ANTICIPATION NOTE FOR MONEYS DUE FROM ...THE STATE.............

THE CITY OF NEW YORK (the "City"), a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the United States of America, acting by and through the Secretary of the Treasury (the "Secretary") pursuant to the New York City Seasonal Financing Act of 1975, constituting Public Law 94-143 of the United States of America, on demand therefor made to the City by the Secretary or on the 2nd day of June, 1976, whichever date is earlier (the "Maturity Date"), the sum of

TWO HUNDRED AND SEVENTY FIVE MILLION DOLLARS ($275,000,000)

in federal funds being lawful money of the United States of America, at the Federal Reserve Bank of New York, 33 Liberty Street, in the Borough of Manhattan, City and State of New York, for credit in the account of the United States Treasury, and to pay interest thereon on the Maturity Date from the date of this Note in such federal funds, at the rate of SEVEN AND 3/4% per annum, computed on a 365 day year, upon presentation of this Note at said Bank.

This Note is issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33a of the Consolidated Laws of the State of New York, and

Certifies Number R-253-TR, the City Clerk of the City authorizing the issuance of such Note in anticipation of the receipt of the moneys from THE STATE OF NEW YORK specified in the aforementioned Certificate to become due and payable to the fiscal year 1977-1978.

This Note is the only Note of an authorized issue, the principal amount of which is $275,000,000.

The City may, at any time and from time to time, prepay (without penalty) all or any part of the unpaid principal amount of this Note (in integral multiples of $10,000,000) together with interest on the principal amount so prepaid accrued to the date of prepayment and thereafter unpaid and from and after such prepayment, interest thereon or on the part prepaid shall cease to accrue.

This Note may not be converted into a bearer note.

This Note is issued as seasonal financing in order that the City may maintain essential governmental services.

The faith and credit of The City of New York are hereby irrevocably pledged for the punctual payment of the principal of and interest on this Note according to its terms.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed, and that this Note, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of such State.

IN WITNESS WHEREOF, The City of New York has caused this Note to be signed by its Third Deputy Comptroller, and its corporate seal to be hereunto affixed and attested by its City Clerk, and this Note to be dated as of the 2nd day of October, 1977.

ATTEST:

CITY CLERK

THIRD DEPUTY COMPTROLLER
THE CITY OF NEW YORK

REVENUE ANTICIPATION NOTE FOR MONEYS DUE FROM THE STATE...........

THE CITY OF NEW YORK (the "City"), a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the United States of America, acting by and through the Secretary of the Treasury (the "Secretary") pursuant to the New York City Seasonal Financing Act of 1975, constituting Public Law 94-143 of the United States of America, on demand therefor made to the City by the Secretary or on the 20th day of December, 1975, whichever date is earlier (the "Maturity Date"), the sum of

FIFTY MILLION DOLLARS ($50,000,000)

in federal funds being lawful money of the United States of America, at the Federal Reserve Bank of New York, 33 Liberty Street, in the Borough of Manhattan, City and State of New York, for credit to the account of the United States Treasury, and to pay interest thereon on the Maturity Date from the date of this Note in such federal funds, at the rate of 5.25%, per annum, computed on a 365 day year, upon presentation of this Note at said Bank.

This Note is issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33a of the Consolidated Laws of the State of New York, and Certificate Number 5-78 of the Third Deputy Comptroller of the City authorizing the issuance of such Note in anticipation of the receipt of the moneys from THE STATE OF NEW YORK... specified in the aforesaid Certificate to become due and payable in the fiscal year 1977-1978.

This Note is the only Note of an authorized issue, the principal amount of which is $50,000,000.

The City may, at any time and from time to time, prepay (without penalty) all or any part of the unpaid principal amount of this Note (or integral multiples of $10,000,000) together with interest on the principal amount so prepaid accrued to the date of prepayment and therefore prepaid and from and after such prepayment, interest thereon or on the part prepaid shall cease to accrue.

This Note may not be converted into a bearer note.

This Note is issued as seasonal financing in order that the City may maintain essential governmental services.

The faith and credit of The City of New York are hereby irrecoverably pledged for the punctual payment of the principal of and interest on this Note according to its terms.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed, and that this Note, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of such State.

IN WITNESS WHEREOF, The City of New York has caused this Note to be signed by its Third Deputy Comptroller, and its corporate seal to be hereunto affixed and attested by its City Clerk, and this Note to be dated as of the 2nd day of October, 1977.

ATTEST.

CITY CLERK

THIRD DEPUTY COMPTROLLER

THE CITY OF NEW YORK
CERTIFICATE OF EMERGENCY FINANCIAL CONTROL BOARD

I, as Chairman of the New York State Emergency Financial Control Board (the "Board"), hereby certify, recite and declare that the Board has by Resolution duly adopted, approved the borrowing evidenced by the within Note and the form, amount, terms, conditions and all matters incident to and stated in said Note.

[Signature]
Chairman, New York State Emergency Financial Control Board

Dated: October 4, 1977
THE CITY OF NEW YORK

REVENUE ANTICIPATION NOTE FOR MONEYS DUE FROM THE STATE

THE CITY OF NEW YORK (the "City"), a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the United States of America, acting by and through the Secretary of the Treasury (the "Secretary") pursuant to the New York City Revenue Anticipation Act of 1979, constituting Public Law 94-148 of the United States of America, on demand therefor made to the City by the Secretary or on the 30th day of May, 1979, whichever date is earlier (the "Maturity Date"), the sum of

FIFTY MILLION DOLLARS ($50,000,000)

in federal funds being lawful money of the United States of America, at the Federal Reserve Bank of New York, 33 Liberty Street, in the Borough of Manhattan, City and State of New York, for credit to the account of the United States Treasury, and to pay interest thereon on the Maturity Date from the date of this Note in such federal funds, at the rate of 5.38% per annum, 447 days, thereafter, for any portion of the term of this Note; provided, that this Note is issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33 of the Consolidated Laws of the State of New York, and the State of New York, as amended. The City authorizes the issuance of this Note to the United States in anticipation of the receipt of the moneys from the State of New York for fiscal year 1978-1979.

This Note is the only Note of an authorized issue, the principal amount of which is $50,000,000. The City may, at any time and from time to time, prepay (without penalty) or pay any part of the unpaid principal amount of this Note (in integral multiples of $10,000,000) together with interest on the principal amount so prepaid accrued to the date of prepayment and thereafter unpaid and from and after such prepayment, interest thereon or on the part prepaid, shall cease to accrue. This Note may not be converted into a bearer note. This Note is issued as seasonal financing in order that the City may maintain essential governmental services. The faith and credit of the City of New York are hereby irrevocably pledged for the punctual payment of the principal of and interest on this Note according to its terms.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed, and that this Note, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of such State.

IN WITNESS WHEREOF, The City of New York has caused this Note to be signed by its Clerk, Deputy Comptroller, and its corporate seal to be hereunto affixed and attached by its City Clerk, and this Note to be dated as of the 3rd day of December, 1978.

ATTEST:

CITY CLERK

THIRD DEPUTY COMPTROLLER

THE CITY OF NEW YORK
CERTIFICATE OF EMERGENCY FINANCIAL CONTROL BOARD

I, as Chairman of the New York State Emergency Financial Control Board (the "Board"), hereby certify, recite and declare that the Board has by Resolution duly adopted, approved the borrowing evidenced by the within Note and the form, amount, terms, conditions and all matters incident to and stated in said Note.

[Signature]
Chairman, New York State Emergency Financial Control Board

Dated: October 4, 1977
THE CITY OF NEW YORK

REVENUE ANTICIPATION NOTE FOR MONEYS DUE FROM ...THE STATE

THE CITY OF NEW YORK (the "City"), a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the United States of America, acting by and through the Secretary of the Treasury (the "Secretary") pursuant to the New York City Seasonal Financing Act of 1972, constituting Public Law 94-143 of the United States of America, on demand therefor made to the City by the Secretary or on the 30th day of ...June... 1973 whichever date is earlier (the "Maturity Date"), the sum of

TWO HUNDRED AND SEVENTY FIVE MILLION DOLLARS ($275,000,000)

in federal funds being lawful money of the United States of America, at the Federal Reserve Bank of New York, 33 Liberty Street, in the Borough of Manhattan, City and State of New York, for credit to the account of the United States Treasury, and to pay interest thereon on the Maturity Date from the date of this Note in such federal funds, at the rate of SEVEN AND $5/100... per centum (7.5%) per annum, computed on a 365 day year, upon presentation of this Note at said bank.

This Note is issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State of New York, and Certificate Number 5-78 at the Third Deputy Comptroller of the City authorizing the issuance of such Note in anticipation of the receipt of the moneys from THE STATE OF NEW YORK specified in the aforesaid Certificate to become due and payable in the fiscal years 1973, 1974, 1975, 1976, 1977, 1978.

This Note is the only Note of an authorized issue, the principal amount of which is $275,000,000.

The City may, at any time and from time to time, prepaid (without penalty) all or any part of the unpaid principal amount of this Note (in integral multiples of $10,000,000) together with interest on the principal amount so prepaid accrued to the date of prepayment and therefor unpaid and from and after such prepayment, interest thereon or on the part prepaid shall cease to accrue.

This Note may not be converted into a bearer note.

This Note is issued as seasonal financing in order that the City may maintain essential governmental services.

The faith and credit of The City of New York are hereby irrevocably pledged for the punctual payment of the principal of and interest on this Note according to its terms.

IT IS HEREBY CERTIFIED AND RECEIVED that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed, and that this Note, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of such State.

IN WITNESS WHEREOF, The City of New York has caused this Note to be signed by its Third Deputy Comptroller, and its corporate seal to be hereunto affixed and attested by its City Clerk, and this Note to be dated as of the 30th day of ...October, 1977.

ATTEST:

THE CITY OF NEW YORK

CITY CLERK

THIRD DEPUTY COMPTROLLER
TREASURY
WASHINGTON, D.C.

No. 94,540,157
SYMBOL 3000

Treasurer at the United States

OCT 4 1977

PAY $50,000,000.00*

TO THE
CHASE MANHATTAN BANK
FOR CREDIT TO THE ACCOUNT OF YOUR CUSTOMER
THE CITY OF NEW YORK
ACCOUNT NO. 910-4-012878

TREASURY
WASHINGTON, D.C.

No. 94,540,158
SYMBOL 3000

Treasurer at the United States

OCT 4 1977

PAY $82,000,000.00*

TO THE
CHASE MANHATTAN BANK
ORDER OF FOR CREDIT TO THE ACCOUNT OF YOUR CUSTOMER
THE CITY OF NEW YORK
ACCOUNT NO. 910-4-012878
TREASURY  
WASHINGTON, D.C.  
No. 94,540,159  
SYMBOL 3000

Treasurer of the United States  
OCT 4 1977

PAY  $95,000,000.00

TO THE
CHASE MANHATTAN BANK
FOR CREDIT TO THE ACCOUNT OF YOUR CUSTOMER
THE CITY OF NEW YORK
ACCOUNT NO. 910-4-012878

TREASURY  
WASHINGTON, D.C.  
No. 94,540,160  
SYMBOL 3000

Treasurer of the United States  
OCT 4 1977

PAY  $98,000,000.00

TO THE
CHASE MANHATTAN BANK
FOR CREDIT TO THE ACCOUNT OF YOUR CUSTOMER
THE CITY OF NEW YORK
ACCOUNT NO. 910-4-012878
CERTIFICATE OF DELIVERY AND PAYMENT

I, SGL LEWIS, Third Deputy Comptroller of The City of New York, in the County of New York, State of New York, HEREBY CERTIFY as follows:

1. On the 4th day of October, 1977, I delivered to the UNITED STATES OF AMERICA, acting by and through the Secretary of the Treasury, the purchaser thereof, the following obligations of said City:

<table>
<thead>
<tr>
<th>Amount and Title</th>
<th>Dated</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000,000 Revenue Anticipation Note For Moneys Due From The State</td>
<td>October 4, 1977</td>
<td>Upon written demand therefor to the Mayor and Comptroller of The City of New York, or on May 20, 1978, whichever date is earlier; subject to prior redemption.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Denomination</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-024-TR</td>
<td>$50,000,000</td>
<td>7.54%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount and Title</th>
<th>Dated</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$275,000,000 Revenue Anticipation Note For Moneys Due From The State</td>
<td>October 4, 1977</td>
<td>Upon written demand therefor to the Mayor and Comptroller of The City of New York, or on June 20, 1978, whichever date is earlier; subject to prior redemption.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Denomination</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-025-TR</td>
<td>$275,000,000</td>
<td>7.58%</td>
</tr>
</tbody>
</table>
2. At the time of said delivery I received from
said purchaser payment for said obligations in accordance
with the contract of sale, computed as follows:

Contract Price . . . . . . . . . . . . . . $325,000,000
Accrued Interest . . . . . . . . . . . . . . -0-
Amount received on delivery of obligations $325,000,000

IN WITNESS WHEREOF, I have hereunto set my hand this
4th day of October, 1977.

[Signature]

Third Deputy Comptroller
RECEIPT FOR TWO REVENUE ANTICIPATION NOTES
OF THE CITY OF NEW YORK, DATED OCTOBER 4, 1977
IN THE AMOUNTS OF $50,000,000 AND $275,000,000
RESPECTIVELY

I, the undersigned authorized representative of the
Secretary of the Treasury acting for and on behalf of the
United States Government hereby acknowledge receipt of the
above-captioned Notes.

Dated: October 4, 1977

[Signature]