December 15, 1982

Honorable Donald T. Regan
Secretary of the Treasury
U.S. Department of the Treasury
15th Street and Pennsylvania Avenue
Washington, D.C. 20220

Dear Mr. Secretary:

Pursuant to Sections 6.3, 6.8.1.(a) and 6.8.1.(b) of the Agreement to Guarantee dated as of November 15, 1978, I am reporting to you on the current status of the Financial Plan and the City's recent Financial Plan submissions.

On May 12, 1982, the City submitted to the Control Board for its review and approval a proposed four-year financial plan for the City and the covered organizations covering fiscal years 1983 through 1986 (the "May Submission"). Such submission was made pursuant to the requirements of Section 8.3(a) of the New York State Financial Emergency Act for The City of New York (the "Act"). It was reviewed by the Control Board staff in order to evaluate the reasonableness of the projections reflected therein and to determine whether it was complete and otherwise complied with applicable statutory standards.

On June 24, 1982, the Control Board approved Modification 82-13 to the Financial Plan for the City and the Covered Organizations Covering FYs 1982 through 1985, as modified (the "FY 1982 Financial Plan"), consisting of a quarterly modification of revenue, expenditure and cash estimates for FY 1982 and providing for a $43 million City general reserve to cover end-of-year contingencies. The staff of the Control Board issued a report on the Modification, copies of which have been previously delivered to your office, together with copies of the Modification. In that report the staff concluded that its evaluation of the potential City fiscal outlook for FY 1982 led it to believe that the City would end that year in a balanced condition.
On June 17, 1982, the City's legislative bodies completed their consideration of the Mayor's proposed FY 1983 budget, reflected in the May Submission, and approved an amended version thereof which the Mayor let stand (the "Adopted Budget"). On June 28, 1982, the City submitted as supplemental information to the May Submission, revised four-year projections of revenues and expenditures reflecting the Adopted Budget and other developments.

Upon review of the May Submission, various members and the staff of the Control Board expressed to the City serious concern about aspects of the May Submission, including the degree to which it relied upon State funding not yet appropriated. This uncertainty, coupled with the lack of certainty as to the final outcome of the City's 1982 collective bargaining process and the absence of a secure revenue stream for the New York City Transit Authority (the "TA") for FY 1983 and thereafter, led to the City's withdrawal of its May Submission and its advice to the Control Board that it could not, at that time prepare a four-year financial plan prior to the beginning of FY 1983 which would be complete and meet the standards of the Act.

In light of these events and uncertainties, on June 30, 1982 by unanimous vote, the Control Board formulated and adopted an interim Financial Plan for the City and the Covered Organizations, except the TA, covering FY 1983 and for the TA covering the first six-months of FY 1983 (the "Interim Financial Plan"). The Interim Financial Plan was formulated and adopted pursuant to Section 8.3(d) of the Act; the City section thereof was based on the Adopted Budget.

In its resolution adopting the six-month financial plan for the TA (the "TA Interim Plan"), the Control Board directed that the Executive Director of the Control Board prepare monthly a written report setting forth the financial condition of the TA, which report would be based upon certain specified information that the President of the TA was by such resolution ordered to provide. Copies of the Interim Financial Plan, Control Board resolutions and staff reports with respect thereto and of the Monthly Reports of the Executive Director on the financial condition of the TA, dated August 19, September 20, October 25 and November 23, 1982, have been previously delivered to your office. In its June 1982 report on the Financial Plan, the Control Board staff concluded that if the City's assumptions are not adversely affected by future developments, budget balance will be maintained for FY 1983. In addition to the final outcome of collective bargaining negotiations, the staff stated that these uncertainties included anticipated levels of intergovernmental aid that may affect the City's fiscal condition in FY 1983 and subsequent years. Based on its review the staff further concluded and
recommended that it was necessary for the members of the Control Board to take these uncertainties into account when taking an action to put a Financial Plan in place prior to July 1, 1982.

As a result of pension legislation passed by the State legislature at the close of FY 1982, the City was able to make an advance payment to the TA of a portion of its planned FY 1983 subsidy to assist the TA to achieve cash balance in FY 1982. On June 29, 1982, the City submitted Modification 82-14 to the FY 1982 Financial Plan (as modified on June 24, 1982), which Modification was revised on July 1, 1982 and approved by the Control Board on that date. This Modification consisted of adjustments to the City's revenue and expenditure projections for FY 1982 and revisions to the TA's cash flow adjustments with the addition of an explanatory footnote. Copies of this Modification have been previously delivered to your office.

At its meeting on July 23, 1982, the Control Board adopted Modification No. 1 to the TA Interim Plan, correcting a technical error in such plan as adopted by the Control Board on June 30, 1982. Copies of Modification No. 1 have been previously submitted to your office.

In addition, on August 20, 1982, the Control Board approved Modification No. 2 to the Interim Financial Plan which consisted of adjustments to the City's borrowing schedule to reflect the marketing decision to increase to $700 million the principal amount of its short-term notes to be issued in the first quarter to meet all its projected seasonal financing requirements for FY 1983. Copies of Modification No. 2 have been previously delivered to your office.

On October 28, 1982 the Control Board approved Modification No. 3 to the Interim Financial Plan, consisting of a modification to the section thereof relating to the New York City Housing Development Corporation ("HDC") covering FYs 1983-1986 and reflecting the proposed issuance and sale of HDC's general obligation 1982 Multi-Family Housing Bonds in order to redeem in full its outstanding Multi-Family Housing Bonds (Variable Rate Annual Tender Bonds) issued in December 1981.

We have been advised that on September 8, 1982, the City and various of its covered organizations reached a tentative collective bargaining agreement with the coalition of municipal labor organizations representing most of the civilian employees, and that on October 10, 1982, the City and several covered organizations reached tentative agreement with the coalition representing the rank and file employees in the uniformed forces, with the exception of the sanitation men. While the terms reached differ,
both agreements would provide for various increases in wages and benefits during FYs 1983 and 1984 and for repayment of wage deferrals beginning in FY 1985. As of this date, issues apparently remain outstanding with respect to the proposed coalition agreements, and we have asked for assurance that these issues, are expected to be resolved shortly. We have also been advised that agreement, similar to that reached with the rank and file, was also reached with the coalition representing superior officers in the uniformed forces except on an outstanding issue with respect to differential payments. Negotiations with the superior officers and with rank and file sanitationmen continue.

On November 17, 1982, the City submitted to the Control Board for its review and approval Proposed Modification No. 4 to the Interim Financial Plan. This Modification covers FYs 1983 through 1986 for the City and the covered organizations, except for the TA, and includes the projected costs of the collective bargaining settlements. The section of the Proposed Modification relating to the TA addresses the period ending December 31, 1982. The City (as well as the TA) has advised us that the State Legislature is expected to take action prior to December 17, 1982 to provide additional revenues necessary for the operation of the TA. In the event that legislative action has not provided the TA with sufficient operating funds by that date, the TA board of directors has resolved to take whatever action may be necessary on that date to increase revenue from fares in order to provide the TA with sufficient funds for its operations. The City has been assured that a financial plan for the TA covering CFYs 1983 through 1986 will be prepared and submitted to the Control Board prior to action on the Proposed Modification.

The Proposed Modification is currently under review by the Control Board and a meeting has been scheduled for December 21, 1982 to take action on the City's submission. The Executive Director of the Control Board has stated that the Proposed Modification must be revised to include increased measures within the City's control in order to receive Control Board approval.

On December 15, 1982, the City submitted to the Control Board Proposed Modification No. 5 to the Interim Financial Plan, consisting of an adjustment in the City's borrowing schedule to reflect a shift in public City bond sales to the third quarter of FY 1983 and a $33.32 million increase in "mirror" bond sales to the Municipal Assistance Corporation in the second quarter to accommodate structuring requirements. That Modification is also under review.
I have sent copies of this report to all parties specified in Article 9 of the Agreement to Guarantee.

Very truly yours,
NEW YORK STATE FINANCIAL CONTROL BOARD

By: [Signature]
Comer S. Coppie
Executive Director
April 30, 1982

The Municipal Assistance Corporation for The City of New York
Suite 8901
One World Trade Center
New York, New York 10048

Gentlemen:

You have asked us to advise you regarding

(1) certain provisions relating to The Municipal Assistance Corporation for The City of New York (the "Corporation") included in (a) the Agreement to Guarantee (the "Guarantee Agreement"), dated November 15, 1978 by and among the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary") pursuant to the New York City Loan Guarantee Act of 1978, P.L. 95-339 (the "Guarantee Act"), the State of New York (the "State"), The City of New York (the "City"), the New York State Financial Control Board (the "Control Board") and the Corporation, and (b) the resolution dated November 14, 1978 of the Board of Directors of the Corporation.
The Municipal Assistance Corporation
For The City of New York

(the "Guarantee Resolution") pursuant to which the Corporation has created and authorized the deposit of moneys in a fund (the "Guarantee Reserve Fund") as required by Section 103(8)(B) of the Guarantee Act; (2) the temporary failure by the Corporation to comply with certain provisions of the Guarantee Agreement and the Guarantee Resolution and the manner in which such failure was corrected; and (3) whether the Corporation has incurred any continuing liability as a result of such failure or must take any further action with respect to correcting such failure.


Under the Guarantee Agreement, the United States undertook to issue guarantees ("Guarantees") of the payment of the principal of and interest on bonds of the City issued pursuant to the Guarantee Act in accordance with the financing plan for the City described in the Guarantee Agreement.

By the terms of the Guarantee Agreement and the Guarantee Act, the issuance of any Guarantee is subject to a determination by the Secretary that certain conditions have been met. One such condition is that the Corporation shall have created the Guarantee Reserve Fund. The Guarantee Reserve Fund was established pursuant to the Guarantee Resolution and consists of a trust fund in which the Corporation
deposits moneys from time to time. The purpose of the Guarantee Reserve Fund is to provide in part for payment of principal of or interest on the bonds of the City to which Guarantees relate ("Guaranteed City Indebtedness") or reimbursing the United States for payments made under any such Guarantee. The Guarantee Agreement provides that no Guarantees may be issued unless an amount equal to five percent of the sum of the principal amount of and one year's interest on the outstanding Guaranteed City Indebtedness and the Guaranteed City Indebtedness then to be issued shall have been deposited in the Guarantee Reserve Fund. The Guarantee Resolution does not, however, obligate the Corporation to maintain the Guarantee Reserve Fund at any level.

Another condition precedent to the issuance of any Guarantee is that, as of any closing date (a "Closing Date") under the Guarantee Agreement, no event of default shall have occurred. An event of default occurs under the Guarantee Agreement (i) if any representation or warranty made by the Corporation in the Guarantee Agreement or in any certificate delivered pursuant thereto shall prove to have been incorrect in any material respect when made or (ii) if the Corporation fails to perform or observe any covenant, agreement or provision to be performed or observed by it under the Guarantee Agreement and such default shall not have been cured within
30 days after written notice of the default has been given from the Secretary.* Under Section 6.19(a) of the Guarantee Agreement, the Corporation covenants and agrees not to take any action inconsistent with the rights of the Secretary under the Guarantee Resolution. No other covenant, agreement or provision of the Guarantee Agreement appears to be relevant for the purposes of this discussion.

On each Closing Date the Corporation must certify, among other things, that (a) it has performed all of its agreements to be performed under the Guarantee Agreement, (b) no event or condition which constitutes an event of default with respect to the Corporation, and no event or condition which, with the passage of time or the giving of notice or both would constitute such an event of default, has occurred and is continuing and (c) the amount required to be deposited in the Guarantee Reserve Fund has been so deposited.

2. Failure under Guarantee Agreement and Correction.

We have been informed by the Corporation that, on January 26, 1982, the Corporation discovered that the Guarantee Reserve Fund had been inadvertently underfunded as a result of the Corporation's miscalculation of the relevant amount of interest on the Guaranteed City Indebtedness then outstanding and then to be issued. On

* Other events of default are listed in Article 7 of the Guarantee Agreement, but are not relevant for purposes of this discussion.
November 11, 1981, the only Closing Date that occurred during the period of such underfunding, the value of the Guarantee Reserve Fund stood at $66,803,494.33. The value of such Fund on that date should have been $68,213,118.92, a difference of $1,409,624.04. Through the accrual of interest the balance in the Guarantee Reserve Fund reached the required level on January 25, 1982. On January 26, 1982 the Corporation transferred an additional $500,000 to the Fund.

In order to determine whether an underfunding of the Guarantee Reserve Fund could be considered an event of default pursuant to Article 7 of the Guarantee Agreement two provisions must be considered. As noted above, an event of default occurs if any representation or warranty made by the Corporation in the Guarantee Agreement or in any certificate delivered pursuant thereto shall prove to have been incorrect in any material respect when made. The underfunding of the Guarantee Reserve Fund did not render the representations and warranties contained in the Guarantee Agreement incorrect when made. However, the certificate delivered by the Corporation on the November 11, 1981 Closing Date was incorrect. In that certificate the Corporation certified that it had deposited in the Guarantee Reserve Fund the amount required to be deposited by it.
Because the Guarantee Reserve Fund, on that date, contained 2% less than the amount required to be contained in it by the Guarantee Agreement, such certification was incorrect. Insofar as such 2% difference is deemed to make the issued certificate "incorrect in [a] material respect", then an event of default under the Guarantee Agreement was created by the issuance of such certificate.

As noted above, the Guarantee Reserve Fund reached the required level on January 25, 1982, thereby curing the underfunding. Although the Guarantee Agreement does not explicitly state that an event of default no longer exists once such default has been cured, we believe this to be the normal and proper interpretation. Accordingly, although the Secretary would have had the right, assuming the materiality test was met, to take action under Section 7.1 of the Guarantee Agreement during the period from November 11, 1981 to January 25, 1982, as of January 25, 1982, the event of default ceased to exist and the Secretary no longer had the right to act under such Section 7.1 under the Guarantee Agreement.

An event of default may also occur under the Guarantee Agreement if the Corporation takes any action inconsistent with the rights of the Secretary under the Guarantee Resolution. Upon examination of the provisions of the Guarantee Resolution, we have concluded that the underfunding of the Guarantee Reserve Fund does not constitute
any such inconsistency. As noted above, the Resolution imposes no obligation on the Corporation to maintain the Guarantee Reserve Fund at any particular level. Nor is there any other provision which is relevant. However, even if the actions of the Corporation were deemed inconsistent with the rights of the Secretary under the Guarantee Resolution, there is no event of default unless such inconsistency shall not have been cured within 30 days after the Secretary has given written notice of such default. We have been informed by the Corporation that no such notice has been given.

3. Continuing Liability or Further Action.

Section 7.1 of the Guarantee Agreement provides that if an event of default occurs, the Secretary may proceed to protect and enforce the rights of the United States through a variety of remedies. Such remedies, as applicable to the Corporation, include (a) bringing suit against the Corporation for amounts then due with respect to the Guarantee Reserve Fund and (b) bringing suit or other action to (i) enforce any obligation under the Guarantee Agreement, (ii) enforce any provisions of applicable law or (iii) enjoin any acts or things which are in violation of the Guarantee Agreement which are applicable to the Corporation. Such remedies pertain only where amounts are due with respect to the Guarantee Reserve Fund or the Corporation is in
violation of some provision of the Guarantee Agreement or applicable law. Because the Guarantee Reserve Fund currently contains the amount required and any failure by the Corporation has since been corrected, the Corporation has incurred no continuing liability with respect to its underfunding of the Guarantee Reserve Fund. We have been informed that the Corporation has advised the City and the Secretary of the temporary underfunding of the Guarantee Reserve Fund. We believe it is not necessary for the Corporation to inform any other party or give any other notice of such underfunding or to take any further action with respect thereto.

Very truly yours,

Paul Weiss, Rifkind, Wharton & Garrison
13 November 1981

Honorable Robert Rafuse
Deputy Assistant Secretary
U.S. DEPARTMENT OF THE TREASURY
Six World Trade Center Room 320
New York, NY 10048

Dear Mr. Rafuse:

This is in response to your request for information concerning the allocation of planned financing between the Municipal Assistance Corporation ("Corporation") and the City of New York ("City"), as reflected in the current, extended Financing Plan.

At recent meetings with representatives of the Department of the Treasury, questions were raised about some of the assumptions underlying the amounts of financing provided in the City's Financing Plan. We have elsewhere provided information concerning the Corporation's projected capital reserve fund requirements, the appropriateness of refundings, and the judgment of the Corporation's senior managing underwriting as to the Corporation's market access and the impact upon such access of the availability of the Guarantees.

This letter addresses your inquiries about the Corporation's present strategies to complete the planned financing, the importance of maintaining a Plan which indicates that the Corporation's presence in the public market will gradually be reduced (ultimately eliminated) while the City's offerings are increased toward complete self-sufficiency after the 1985 fiscal year.

The Financing Plan currently provides for the Corporation to issue $1.65 million of its obligations to the public by December 31, 1984. The Corporation intends to complete all of this financing. However, if the City proves to be able to sell more than is currently shown in the Plan, the City and the Corporation will review the appropriateness of reducing the Corporation's scheduled issuances or increasing the City's capital spending. Conversely, the Corporation will complete
more than this amount, up to a maximum of the remaining Corporation's authorization (.4 - .6 billion depending on whether the warrants issued by the Corporation are exercised) to the extent the City falls short of its goals as shown in the Plan or there is a shortfall in the Guarantees.

During this fiscal year, the Corporation is scheduled to issue $500 million of its obligations to the public of which $200 million has been completed. Documentation and other necessary arrangements are in process to permit the Corporation to initiate its planned commercial paper program by the end of calendar year 1981 for a total of $100 million. Accordingly, only two additional public bond sales of $100 million each will be scheduled during the second half of fiscal 1982, one of which is already scheduled with the approval of the New York State Securities Coordinated Committee for the month of February.

Similarly, during fiscal 1983, the Corporation is scheduled to sell $500 million of its obligations. Under current assumptions, we would expect to complete these financings in one or more of a number of ways. The Corporation expects to have warrants outstanding for the purchase of a total of $159,495 million in long-term bonds until January 18, 1983. The exercise of warrants will reduce the need for new offerings. If all of the warrants are exercised, new offerings could be limited to three $100-$125 million sales. The Corporation has publicly indicated its interest in expanding its tax-exempt commercial paper program to a total of $250 million, should the experience with the initial $100 million and market conditions favor it. Exercise of all the warrants together, with a $100 million expansion of tax exempt commercial paper could limit the Corporation bond offerings during fiscal 1983 to $250 million. By January 18, 1983, the Corporation will also know more about the success of the City's planned offerings and the aggregate amount of bonds issued upon exercise of warrants and will be in a position to determine whether it is possible to reduce or eliminate one or more of the remaining public sales in 1983.

The Corporation has attempted to benefit from its unique opportunity to develop innovative tax-exempt financing mechanisms. In January 1981, the Corporation became the first tax-exempt issuer to issue bonds with warrants. The Corporation believed that the sale of the warrants enabled it to save at least 75 basis points. The Corporation has recently sold another bond issue with warrants attached, at a
comparable savings. The Corporation has spent much effort in developing a tax-exempt commercial paper program, a program that would be unique in its forward funding approach.

These and future innovations provide the Corporation with new opportunities to raise capital for the City at the lowest possible interest cost at current market conditions. In addition, such innovations access segments of the market which are not traditional purchasers of the Corporation's or the City's debt. Both issuers must continue to develop new purchasers as the total amount raised in the public markets by and on behalf of the City increases. Unfortunately, the development of new financing mechanisms, particularly tax-exempt commercial paper, takes a considerable period of time. However, the Corporation believes that the savings that have and will result from this new instrument will more than justify the time and expense of development. In any case, the Corporation remains committed to complete the financing allocated to it in the Plan by December 31, 1984.

Finally, I emphasize that the debt issuance strategies of the Corporation are a function of several factors, including our assessment of the market, the scheduling of debt issuances to avert interference, and consultation with the City, especially with respect to the structure and timing of the City's capital needs. Ultimate decisions on overall strategy and particular debt issuances of the Corporation are made by the Board of Directors of the Corporation.

The staff of the Department of Treasury has questioned why both the City and the Corporation believe it is important to maintain a Financing Plan that provides for the Corporation to gradually reduce the amount of funds raised in the public markets while the City increases the amount it is to raise. There are three reasons. First is the perception, stated by at least one of the rating agencies, that the City cannot attain complete self-sufficiency in the capital markets so long as another agency--i.e., the Corporation--is meeting a significant portion of the City's basic capital needs. There is evidence that reaffirmance of the Corporation's intention to go out of business as an issuer of new debt by the end of December 1984 is helpful to the continued improvement in the City's debt rating as well as to the City's market acceptance more generally. The Plan's "cross-over" pattern of debt issuances is not only consistent with our actual expectations but it is one additional means of reaffirming this expectation.
A second reason for planning the reduction of the Corporation's issuances in the final years of the plan is to minimize the competition between the Corporation's obligations and those of the City as the City increases the amount and frequency of its offerings. While the City's progress is heartening and underlies our present confidence that further extention or increase in the Corporations authority to issue debt will not be necessary, it is too soon to determine the extent to which the Corporation's and the City's obligations will compete in the same limited market for New York City-based tax-exempt securities. A plan which provides for the Corporation to issue more while the City increases its offering takes a marketing risk which the Corporation and the City believe should be avoided.

Finally, in this early stage of the City's transition toward full market self-sufficiency, it makes good practical sense to reserve the Corporation's modest additional authority to raise debt beyond the Plan for the years in which the City faces the greatest challenge of increasing its access to the market. Having successfully made its initial market re-entry with two bond issues after a long hiatus, it is our judgment, shared by City officials, that the critical years for the City are fiscal 1984 and, especially, 1985 and beyond. Permitting the reserve capacity of the Corporation to be available when it is most likely to be needed requires not only that the total planned issuances of the Corporation be held to the amounts currently shown in the Plan, but also that what leeway there is in market access be reserved till the later years.

Sincerely yours,

Heather L. Ruth
Executive Director

signed ____________________
March 14, 1980

The Honorable G. William Miller
U.S. Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue
Washington, D.C. 20220

Dear Mr. Secretary:

Pursuant to Sections 6.3 and 6.8.1(a) of the Agreement to Guarantee dated as of November 15, 1978, I am reporting to you, on behalf of the Financial Control Board, on the status of the Financial Plan. This report covers the period from December 14, 1979, the date of my last status report to you, through the date of this letter.

At its meeting held on February 21, 1980, the Control Board approved Modification 80-4 to the Financial Plan for the City and the Covered Organizations Covering Fiscal Years 1980-1983. The vote of the six Board members in attendance was unanimous (the Governor's appointment of Leopold P. Oberst to the Board to fill the vacancy created by the resignation of John C. Sawhill has not yet been confirmed by the State Senate). This modification generally revised the projections of revenues, expenditures and cash flows of the City and the covered organizations to reflect the results of operations for the second quarter of fiscal year 1980 and the City's Program to Eliminate the Gaps for fiscal years 1981 and 1982. Copies of the modification and the Control Board's staff report evaluating and recommending Board approval of the modification have previously been delivered to your office. Additional copies of such report will be delivered to your office shortly.
The Honorable G. William Miller

March 14, 1980

Apart from the action described above, the Control Board has made no other determinations to date that modifications to the Financial Plan are required.

I have sent copies of this report to all parties specified in Article 9 of the Agreement to Guarantee.

Very truly yours,

Comer S. Coppie
Executive Director
January 15, 1980

Honorable G. William Miller
The Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue
Washington, D. C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.21 of the Agreement to Guarantee, dated as of November 15, 1978, by and among the United States of America, the Financial Control Board and various other parties, please be advised that it currently appears that projected real estate tax receipts to be retained in the General Debt Service Fund established pursuant to Section 9-a of the Financial Emergency Act will be sufficient to make the scheduled debt service payment of $11,407,876.71 on Guaranteed City Indebtedness due on February 15, 1980, without requiring the deposit of additional monies in the Fund.

The City currently projects that approximately $682 million of receipts from real estate taxes will be deposited in the General Debt Service Fund during January, of which approximately $194 million must be retained to pay monthly debt service (including debt service on Guaranteed City Indebtedness) during the months of February and March. The amounts projected to be retained in the Fund during the period beginning with the fifth banking day prior to the payment date for Guaranteed City Indebtedness and continuing through the payment date appear sufficient to provide for the payment of all principal and interest on all outstanding notes or bonds of the City, including Guaranteed City Indebtedness, that is due during such period.
Copies of this notice have been sent to each of the parties specified by Article 9 of the Agreement to Guarantee.

Very truly yours,

FINANCIAL CONTROL BOARD

By: Comer S. Coppie
Executive Director
State of New York
Financial Control Board

270 Broadway
New York, New York 10007
(212) 488-4294

September 26, 1979

Comer S. Coppie
Executive Director

Honorable G. William Miller
The Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue
Washington, D. C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.3 of the Agreement to Guarantee, I am enclosing a copy of a resolution adopted by the Control Board on September 26, 1979, approving Modification No. 80-2 to the Financial Plan. A copy of Modification 80-2 was previously delivered to representatives of your office.

Copies of this notice have been sent to all parties specified in Article 9 of the Agreement to Guarantee.

Very truly yours,

Comer S. Coppie
Executive Director

Enclosure
September 26, 1979

NEW YORK STATE FINANCIAL CONTROL BOARD

RESOLUTION

N.Y.C. Housing Development Corporation
FHA-Insured Mortgage Revenue Bonds
(Section 8 Assisted Projects)

WHEREAS, pursuant to a Bond Purchase Agreement to be dated September 28, 1979, the New York City Housing Development Corporation ("HDC"), a public benefit corporation of the State of New York and a covered organization within the meaning of the Financial Emergency Act for the City of New York (the "FEB Act"), proposes to issue and sell to Citibank, N.A. as underwriter, for re-offering to the public, its tax-exempt FHA-insured Multi-Family Mortgage Revenue Bonds, 1979 Series A, in an aggregate principal amount not to exceed $50 million (the "Bonds"), the proceeds of which are to be used principally to provide construction and permanent financing for certain FHA-insured multi-family housing projects to be occupied by persons and families eligible to receive assistance under Section 8 of the United States Housing Act of 1937, as amended (the "Projects"); and

WHEREAS, on September 25, 1979 the City submitted for review and approval by the Control Board:

A. Certain definitive forms of agreements (the "Agreements") relating to the Projects, the mortgage loans and the issuance of the Bonds:

1. A Bond Purchase Agreement, to be dated September 28, 1979, between HDC and Citibank, N.A., providing for the sale of the Bonds to Citibank, N.A. as underwriter for re-offering to the public;

2. A Construction and Permanent Loan Commitment FHA-Insured-Section 8 Assisted Project Loan, between HDC and the Project owner, in which HDC agrees to make the mortgage loan to the Project owner upon certain terms and conditions;

3. A Building Loan Agreement on FHA Form No. 2441, between the Project owner and HDC, providing for the granting of a mortgage loan to aid construction;
4. A Regulatory Agreement for Insured Multi-Family Housing Projects (With Section 8 Housing Assistance Payments Contracts) on Form HUD-92465 (the "Regulatory Agreement"), between the Project owner and the United States Secretary of Housing and Urban Development ("HUD") acting by and through the Federal Housing Commissioner ("FHA"), setting forth certain conditions to the granting of FHA-insurance on the mortgage loan;

5. A Mortgage Note on FHA Form No. 4159-A (Corporate), providing for repayment of the mortgage loan, together with a preliminary draft of a pre-payment clause for Section 221(d)(4) projects (such note to be endorsed for insurance by FHA at the initial closing of the mortgage loan);

6. A Mortgage on FHA Form No. 4159-K (Corporate), between the Project owner and HDC, providing for a first mortgage on the Project and incorporating by reference the Regulatory Agreement;

7. An Annual Contributions Contract on Forms HUD-52520 and HUD-52623 between HUD and HDC, providing for disbursement by HDC, as HUD's agent, of Section 8 housing assistance payments ("HAPs") to the Project owner;

8. An Agreement to Enter into Housing Assistance Payments Contract on Form HUD-52624A, between the Project owner, HUD and HDC, providing for execution of a Housing Assistance Payment Contract upon completion of construction;

9. A Housing Assistance Payments Contract on Form HUD-52625, between the Project owner and HDC, providing for the payment of HAPs for a certain term; and

10. A Form of Letter Agreement between HDC and the trustee.

B. Proposed Modification No. 80-2 to the HDC section of the Financial Plan reflecting the Section 8 assisted financing to be underwritten by Citibank, N.A., including the payment of debt service on the Bonds; and
WHEREAS, as is more fully set forth in the City's submission, Hawkins, Delafield and Wood as Bond Counsel will render its opinion to HDC upon delivery of the Bonds that the Bonds are not a debt of the State of New York or the City of New York and neither is liable thereon, nor shall the Bonds be payable out of any funds other than those of HDC pledged for the payment thereof; and

WHEREAS, each of HDC and the City has certified that Proposed Modification No. 80-2 is complete and complies with the standards set forth in Section 8.1 of the FCB Act, that performance of the Agreements will be in accordance with the Financial Plan as modified by the Proposed Modification No. 80-2 and that the proposed terms of the Bonds are in accordance with the Financial Plan as modified by Proposed Modification No. 80-2 and are consistent with the objectives and purposes of the FCB Act; and

WHEREAS, the City by letter dated September 25, 1979 has requested and recommended that the Control Board approve Proposed Modification No. 80-2, the Agreements and the issuance of the Bonds; and

WHEREAS, the Control Board has consulted with the Municipal Assistance Corporation for the City of New York concerning the proposed issuance and sale of the Bonds; it is therefore

RESOLVED, that the Control Board hereby finds that Proposed Modification No. 80-2 is complete and complies with the standards set forth in Section 8.1 of the FCB Act, and pursuant to Section 8.3 of the FCB Act, approves Proposed Modification No. 80-2, and the Executive Director of the Control Board is hereby authorized and directed to issue a certification to the City on behalf of the Control Board, pursuant to Section 8.3 of the FCB Act, setting forth revenue estimates contained in the Financial Plan as modified by Modification No. 80-2; and further

RESOLVED, that the Agreements are hereby approved as to form and substance pursuant to Section 7.1(e) of the FCB Act; and further

RESOLVED, that any material amendment to the Agreements and any other material contract or instrument to be entered into in connection with the Bonds or the Agreements shall be submitted by HDC to the City and by the City to the Control Board. Unless the Executive Director of the Control Board or the Special Deputy Comptroller notifies HDC and the City to the contrary within 5 business days after such submission, said amendment, contract or instrument shall be exempt from review and approval by the Control Board pursuant to Section 7.1(e) of the FCB Act; and further
RESOLVED, that the issuance by HDC of the Bonds pursuant to the Bond Purchase Agreement, on the terms and conditions set forth in the submission of the City dated September 25, 1979 is hereby approved pursuant to Section 7.1(f) of the FCB Act; and further

RESOLVED, that within thirty days after the granting of each mortgage loan by HDC to an owner of any of the Projects financed in whole or in part by the Bonds, HDC or the City shall provide the Control Board with a description of such transaction, including the parties thereto, the form thereof, the amount and effective date of the financing, and the facilities financed. The City and HDC shall thereafter provide the Control Board with any additional information concerning the transaction which the Control Board may request.
August 30, 1979

Honorable G. William Miller
Secretary of the Treasury
Main Treasury Building
Washington, D.C. 20220

Dear Secretary Miller:

The Four-Year Financing Plan currently contemplates that the Municipal Assistance Corporation (MAC) will sell $1,037 million of long-term securities in fiscal year 1980, the proceeds of which are to be used for the funding of capitalized expense items ($285 million), refunding of MAC bonds ($390 million), MAC capital reserve and guarantee reserve funds ($130 million), and capital improvements ($232 million). The City recently estimated that its operations for FY 1979 which are currently being audited will result in a statutory surplus of approximately $200 million which will generate higher than anticipated cash balances during FY 1980. We propose to utilize approximately $100 million of this additional cash to modify the uses of these proceeds by reducing the amount sold for capitalized expenditures by $100 million and increasing refunding by $100 million. Hence, MAC will bond only $185 million for capitalized expenditures and increase to $490 million bonding for refunding purposes in FY 1980.

The proposed shift in the use of proceeds will not affect the total size of the $4.5 billion financing plan ($2.3 billion of which will be for capital) or the commitments of the parties to the plan to purchase the full amount of City and MAC securities, including the $1.4 billion scheduled for fiscal year 1980. It will not affect the use of proceeds for the takedown scheduled August 30, 1979. The $4.5 billion financing plan as submitted to Congress was similarly modified during the summer of 1978 before the Guarantee Act became law when $100 million of proceeds targeted to repay a portion of the State advance was switched to refunding uses.

In the City's view, the additional MAC refunding is a
more compelling financing need than bonding capitalized expenses since:

1. Using long-term MAC bonds for refunding, rather than for capitalized expenses, will improve the City's budget structure by reducing the increasingly heavy annual burden of MAC debt service costs in the 1980's while not increasing the amount of outstanding debt.

2. Reducing the amount of bonds sold for capitalized expenditures should be seen as a positive development by the financial community, which has been critical of the practice of issuing long-term debt to finance current operating expenditures.

The Four-Year, $4.5 billion dollar financing plan was formulated and carefully negotiated to provide the City adequate funds to finance its capital needs and stimulate the City's own reentry into the public credit market. The Federal guarantee program was perceived by both purchasers and sellers of City or City-related debt obligations as essential to their commitments. The 1980 Borrowing Schedule that was issued on June 29, 1979 in accordance with the Agreement to Guarantee proposes an orderly distribution of the $1,037 million throughout the City's fiscal year to ensure the availability of the MAC public financing over the year at the lowest possible rates. If the $100 million cash surplus were used to reduce the upcoming Federal Guarantees, the participants, including the private parties as well as the public market, would view this as a substantial unfavorable change in the financing plan. Maintaining the integrity of the financing plan and adherence to the original financing schedule, combined with the City's continued fiscal progress, should stimulate investor confidence in City securities and improve the likelihood of the City's success in moving to full public market access. The orderly consummation of the planned 1980 financings, a rational credit program already agreed to in principle by all participants, is the best assurance that true "credit elsewhere" will be available to the City; any attempt to renegotiate these financing commitments can be expected to have the opposite effect.

You are of course aware that this week's issuance of $100 million of Federally guaranteed bonds was originally scheduled to take place in June 1979. The City requested the postponement because it was warranted by the City's capital spending rate. I would like to assure you that the Federal
August 30, 1979

guarantees scheduled for the remainder of the year will not be requested unless I believe they are warranted by the City's capital spending rate and, therefore, are truly necessary to meet the City's financing needs and to achieve the goal of long-term financial stability and independence for New York City. At this time, I continue to believe, as I have since taking office in January 1978, that the Federal guarantees are the cornerstone of the City's Financial Plan. Thank you for your continued cooperation.

Very truly yours,

Edward I. Koch
Mayor

cc: Harrison J. Goldin
August 30, 1979

Pursuant to Section 6.20 of the Agreement to Guarantee dated as of November 15, 1978 by and among the United States of America, (the "United States") acting by and through the Secretary of the Treasury (the "Secretary"), the State of New York (the "State"), the City of New York (the "City"), the New York State Financial Control Board (the "Board") and the Municipal Assistance Corporation for the City of New York ("MAC"), the undersigned does hereby consent to the adoption of an amendment in the form attached hereto amending the Bond Purchase Agreement dated as of November 15, 1978.

G. WILLIAM MILLER
Secretary of Treasury

Attachment
The undersigned are all of the parties to the Bond Purchase Agreement dated as of November 15, 1978 (the "Bond Purchase Agreement") among the Municipal Assistance Corporation for The City of New York (the "Corporation"), various commercial banks, savings banks and life insurance companies (the "Financial Institutions") and various New York City pension funds (the "Pension Funds").

The Pension Funds have requested that Part 4 of Schedule I of the Bond Purchase Agreement be amended as herein provided to reallocate the scheduled purchases among the respective Funds.

Each of the undersigned hereby agrees that:

1. Part 4 of Schedule I to the Bond Purchase Agreement is hereby amended as of August 30, 1979 by changing the amounts listed opposite the name of each Pension Fund under the columns headed "FY 1980", "FY 1981", "FY 1982", and "Total" and by updating the designation therein of certain Pension Fund officers, so that Part 4 of Schedule I shall read in its entirety as follows:
2. Except as expressly set forth herein, the terms, conditions, agreements, covenants and provisions of the Bond Purchase Agreement, including the aggregate amount of bonds to be purchased by the Pension Funds in each fiscal year and the amount to be purchased by each Financial Institution in each fiscal year, shall not be modified or otherwise affected hereby, and shall remain in full force and effect.

3. This amendment to Schedule I of the Bond Purchase Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument, and shall become effective for all purposes upon (A) its execution by or on behalf of all of the undersigned and (B) receipt of the consent of the Secretary of the Treasury of the United States of America pursuant to Section 6.20 of the Agreement to Guarantee (as defined in the Bond Purchase Agreement).

IN WITNESS WHEREOF, each of the undersigned has caused this amendment to be duly executed on its behalf by its authorized representative.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By ____________________________
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<th>Pension Funds</th>
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<td>Attention: Harold E. Horkomer</td>
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<td>Executive Director</td>
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<td>Teachers' Retirement System for The City of New York</td>
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<td>Attention: Wallace F. Sullivan, Executive Director</td>
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<td>Attention: Dwight R. Kearns, Executive Director</td>
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<td>Attention: Patrick W. Lehanec, Chief Administrative Officer</td>
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<td>Totals for Pension Funds</td>
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August 20, 1979

The Honorable G. William Miller
Secretary
U. S. Department of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

I note that New York City has apparently ended its 1979 fiscal year with $200 million more on hand than previously projected. Moreover, City officials have indicated that they will use at least $100 million of that amount to reduce long-term debt.

This is an excellent development. It should mean that the City will not have to take down the full amount of Federal guarantees authorized for fiscal year 1980 and provided in the revised financial plan.

However, I understand that the City does not intend to use that $100 million to reduce the amount of guaranteed borrowing. Instead, it will reduce the amount of Municipal Assistance Corporation (MAC) borrowing for capitalized expenses and substitute an equivalent amount of MAC refunding -- over and above the amount already contained in the four-year plan. Thus the City will not even reduce the amount of City-related paper sold in the market; it will simply change to borrowing which does not count against MAC's legal limits.

I am confident that City officials have good reasons for wanting to do this. On the other hand, the New York City Loan Guarantee Act clearly states that guarantees may be provided only if the City "is effectively unable to obtain credit in the public credit markets or elsewhere in amounts and terms sufficient to meet the City's financing needs." The intent of the legislation is that any reduction in the City's long-term borrowing needs shall be reflected in an equivalent reduction in the amount of Federal guarantees drawn down. I urge you to address this question in making the findings required prior to the next issuance of Federal guarantees.

Best regards.

Sincerely,

William Proxmire
Chairman
July 16, 1979

Honorable W. Michael Blumenthal
The Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue
Washington, D. C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.21 of the Agreement to Guarantee, dated as of November 15, 1978, by and among the United States of America, the Financial Control Board and various other parties, please be advised that it currently appears that projected real estate tax receipts to be retained in the General Debt Service Fund established pursuant to Section 9-a of the Financial Emergency Act will be sufficient to make the scheduled debt service payment of $7,125,000 on Guaranteed City Indebtedness due on August 15, 1979, without requiring the deposit of additional monies in the Fund.

The City currently projects that approximately $736 million of receipts from real estate taxes will be deposited in the General Debt Service Fund during July, of which approximately $294 million must be retained to pay monthly debt service (including debt service on Guaranteed City Indebtedness) during the months of August and September. The amounts projected to be retained in the Fund during the period beginning with the fifth banking day prior to the payment date for Guaranteed City Indebtedness and continuing through the payment date appear sufficient to provide for the payment of all principal and interest on all outstanding notes or bonds of the City, including Guaranteed City Indebtedness, that is due during such period.
Copies of this notice have been sent to each of the parties specified by Article 9 of the Agreement to Guarantee.

Very truly yours,

FINANCIAL CONTROL BOARD

By: ________________________
  Comer C. Coppie
  Executive Director
BY HAND

Mr. Robert F. Vagt
Executive Director
Municipal Assistance Corporation
for the City of New York
One World Trade Center
Room 8901
New York, New York 10047

Dear Mr. Vagt:

Municipal Assistance Corporation for
The City of New York Guaranty Fund

This will confirm that as of the close of business on June 27, 1979 we hold $29,900,000 principal amount U.S.A. Treasury Bills due November 13, 1979 purchased at a cost of $27,246,250.41 and uninvested cash in the amount of $3,749.59 under the subject Account.

Yours very truly,

J. M. Gaudiose
Corporate Trust Administrator
June 22, 1979

Honorable W. Michael Blumenthal  
The Secretary of the Treasury  
Department of the Treasury  
15th Street and Pennsylvania Avenue  
Washington, D. C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.3 of the Agreement to Guarantee, I am enclosing a copy of a resolution adopted by the Control Board on June 22, 1979, approving Modification No. 79-9 to the Financial Plan. A copy of Modification 79-9 was previously delivered to representatives of your office.

Copies of this notice have been sent to all parties specified in Article 9 of the Agreement to Guarantee.

Very truly yours,

[Signature]

Comer S. Coppie  
Executive Director

Enclosure
June 22, 1979

NEW YORK STATE FINANCIAL CONTROL BOARD

RESOLUTION

Proposed Modification No. 79-9 to the Financial Plan

WHEREAS, the City submitted for review and approval by the Control Board Proposed Modification No. 79-9 to the Financial Plan consisting of a modification to the section of the Financial Plan covering fiscal year 1979 that relates to the New York City Housing Authority (a copy of which is attached hereto as Exhibit A); and

WHEREAS, the City has certified that Proposed Modification No. 79-9 is complete and complies with the standards set forth in Section 8.1 of the Financial Emergency Act (the "Act"); and

WHEREAS, the Control Board has considered the report on Proposed Modification No. 79-9 prepared by the staff of the Control Board and such other information and recommendations as it deemed appropriate; it is therefore

RESOLVED, that the Control Board hereby finds that Proposed Modification No. 79-9 is complete and complies with the standards set forth in Section 8.1 of the Act and, pursuant to Section 8.3 of the Act, therefore approves Proposed Modification No. 79-9; and further

RESOLVED, that the Executive Director of the Control Board is hereby authorized and directed to issue a certification to the City on behalf of the Control Board, pursuant to Section 8.3 of the Act, setting forth estimates of revenues contained in the Financial Plan as modified by Modification No. 79-9.
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**RECEIVED**
MUNICIPAL ASSISTANCE CORPORATION

**JUN 26'79**
June 12, 1979

Honorable W. Michael Blumenthal
The Secretary of the Treasury
Department of the Treasury
15th Street and Pennsylvania Avenue
Washington, D. C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.3 of the Agreement to Guarantee, I am enclosing a copy of a resolution adopted by the Control Board on June 8, 1979, approving Modification No. 79-8 to the Financial Plan. A copy of Modification No. 79-8 was previously delivered to representatives of your office.

Copies of this notice have been sent to all parties specified in Article 9 of the Agreement to Guarantee.

Very truly yours,

Comer S. Coppie

Enclosure
NEW YORK STATE FINANCIAL CONTROL BOARD

RESOLUTION

Proposed Modification No. 79-8
to the
Financial Plan

WHEREAS, the City submitted for review and approval by the Control Board Proposed Modification No. 79-8 to the Financial Plan consisting of a modification to the Section of the Financial Plan covering fiscal year 1979 that relates to the City and the Board of Education (a copy of which is attached hereto as Exhibit A) and modifications to the sections of the Financial Plan covering fiscal year 1979 that relate to Covered Organizations other than the Board of Education and the Housing Authority (copies of which are attached as Exhibit B) based upon statements of significant assumptions and methods of estimation and certain other schedules and data previously submitted; and

WHEREAS, the City has certified that Proposed Modification No. 79-8 is complete and complies with the standards set forth in §8.1 of the Financial Emergency Act (the "Act"); and

WHEREAS, the Control Board has considered reports on Proposed Modification No. 79-8 prepared by the staff of the Control Board and the Office of the Special Deputy Comptroller and such other information as it deemed appropriate; it is therefore

RESOLVED, that the Control Board hereby finds that Proposed Modification No. 79-8 is complete and complies with the standards set forth in §8.1 of the Act and, pursuant to §8.3 of the Act, therefore approves Proposed Modification No. 79-8; and

RESOLVED, that the Executive Director of the Control Board is hereby authorized and directed to issue a certification to the City on behalf of the Control Board, pursuant to §8.3 of the Act, setting forth estimates of revenues contained in the Financial Plan as modified by Modification No. 79-8.
The undersigned, Secretary of the Treasury, does hereby confirm that the Agreement dated as of May 14, 1979, by and between the Municipal Assistance Corporation For the City of New York ("MAC") and The City of New York (the "City") is satisfactory for purposes of Section 6.19(b) of the Agreement to Guarantee dated as of November 15, 1979 among the United States of America, acting by and through the Secretary of the Treasury, the State of New York, MAC, the City, and the Financial Control Board.

May 30, 1979

[Signature]

W. MICHAEL BLUMENTHAL
Secretary of the Treasury
May 25, 1979

Honorable W. Michael Blumenthal
U. S. Secretary of the Treasury
15th Street and Pennsylvania Avenue
Washington, D. C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.3 of the Agreement to Guarantee, I am enclosing a copy of a resolution adopted by the Control Board on May 15, 1979, approving Modification No. 79-7 to the Financial Plan. A copy of Modification No. 79-7 was previously delivered to representatives of your office.

Copies of this notice have been sent to all parties specified in Article 9 of the Agreement to Guarantee.

Very truly yours,

[Signature]

Comer S. Coppie
Executive Director

Enclosure
Reference is made to the Agreement to Guarantee ("Agreement to Guarantee") dated as of November 15, 1978 among the United States of America, acting by and through the Secretary of the Treasury, the State of New York, The City of New York ("City"), the New York State Financial Control Board and the Municipal Assistance Corporation For The City of New York ("MAC").

Pursuant to Section 6.7.7. of the Agreement to Guarantee the undersigned does hereby agree that the written statements by the Mayor required pursuant to Section 12 of the City Charter may be provided on or before April 26 and August 20 of each year, as provided in the February 27, 1979 amendments to Section 12 of the City Charter.

W. Michael Blumenthal
Secretary of the Treasury

May 21, 1979
May 15, 1979

NEW YORK STATE FINANCIAL CONTROL BOARD

RESOLUTION

BAN BONDS

WHEREAS, Section 6.19(b) of the Agreement to Guarantee, dated as of November 15, 1978, by and among the Financial Control Board, the Municipal Assistance Corporation for the City of New York ("MAC"), the City, the State of New York and the United States of America requires that the City and MAC provide for the disposition of certain bond anticipation notes issued by the City and held by MAC (the "BANs"); and

WHEREAS, MAC and the City propose to enter into an agreement providing for the disposition of the BANs (the "Agreement"); and

WHEREAS, by letter dated May 15, 1979, the City has requested that the Control Board approve (i) the Agreement, (ii) the issuance by the City of approximately $654,65 million principal amount of general obligation serial bonds in exchange for BANs in a like principal amount (the "BAN Bonds") in accordance with the Agreement and (iii) proposed Modification No. 79-7 to the Financial Plan, which reflects the implementation of the Agreement and the issuance of the BAN Bonds; and

WHEREAS, the City has certified that (i) performance of the Agreement will be in accordance with the Financial Plan, as modified by proposed Modification No. 79-7, (ii) the proposed terms of the BAN Bonds are in accordance with the Financial Plan, as modified by proposed Modification No. 79-7 and consistent with the objectives and purposes of the Financial Emergency Act (the "Act") and (iii) proposed Modification No. 79-7 is complete and complies with the standards set forth in Section 8.1 of the Act; and

WHEREAS, in accordance with Section 7.1(f) of the Act, the Control Board has consulted with the Municipal Assistance Corporation for the City of New York concerning the Agreement and the proposed issuance of the BAN Bonds; it is therefore

RESOLVED, that the Agreement is hereby approved pursuant to Section 7.1(e) of the Act, with such modifications and amendments thereto as shall be approved by the Executive Director, such approval to be evidenced by the execution and delivery of a certificate to that effect; and further
RESOLVED, that the issuance of the BAN Bonds by the City in accordance with the Agreement is hereby approved pursuant to Section 7.1(f) of the Act; and further

RESOLVED, that the Control Board hereby finds that proposed modification No. 79-7 is complete and complies with the standards set forth in Section 8.1 of the Act and, pursuant to Section 8.3 of the Act, therefore approves proposed Modification No. 79-7.
May 14, 1979

The Secretary of the Treasury  
of the United States of America  
Department of the Treasury  
15th Street and Pennsylvania Avenue  
Washington, D.C. 20220

Dear Sir:

Pursuant to Section 6.19(b) of the Agreement to Guarantee dated as of November 19, 1978, by and among the United States, the State of New York, The City of New York (the "City"), the New York State Financial Control Board, and the Municipal Assistance Corporation For The City of New York ("MAC"), we enclose herewith an Agreement of even date between MAC and the City relative to the disposition of all remaining bond anticipation notes of the City held by MAC. If satisfactory, we request your written approval to such agreement prior to the closing on this matter, which is scheduled for May 15, 1979.

A summary of the Agreement is enclosed herewith for your information.

Your prompt consideration of this matter is greatly appreciated.

Very truly yours,

Philip L. Toia  
Deputy Mayor for Financial Management

Enc.
April 24, 1979

Paul M. Hopkins, Esq.
Messrs. Rogers & Wells
200 Park Avenue
New York, N.Y. 10017

Re: Sale of $150 million of Federally Guaranteed City Bonds

Dear Paul:

Pursuant to our telephone conversation yesterday, I enclose herewith for your files fully executed copies of the following documents relative to the above referenced matter:

1. Letters from the Third Deputy Comptroller to the four City pension funds, adjoining their purchase of $100 million of City bonds from May 24, 1979 to August 9, 1979.

2. Letter from the Mayor and City Comptroller to the Secretary of the Treasury, requesting the issuance of federal guarantees with respect to $50 million of the City's bonds on May 24, 1979.

Copies of our receipts for these transmittals will follow.

Cordially,

Leslie N. Buch
Assistant-in-Charge
Fiscal and Securities Division

Encs.

cc: Luke Lynch
Allan Kone
Robert Vagt
April 24, 1979

The Secretary of the Treasury  
Department of the Treasury  
15th Street and Pennsylvania Avenue  
Washington, D.C. 20220

Re: Request by The City of New York  
for Guarantees by the United States  
of America of $50,000,000 aggregate  
principal amount of City Bonds

Dear Mr. Secretary:

Pursuant to Section 2.1 of the Agreement to Guarantee dated as of November 15, 1978, by and among the United States of America (the "United States"), The City of New York (the "City") and others, the undersigned hereby request on behalf of the City that you issue Guarantees of the United States on May 24, 1979 with respect to $50,000,000 aggregate principal amount of the City's serial bonds to be dated and issued on such date.

Very truly yours,

Edward I. Koch,  
Mayor of The City of New York

Harrison J. Goldin,  
Comptroller of The City of New York

cc: The General Counsel of the Treasury  
Room 3000  
15th Street and Pennsylvania Avenue  
Washington, D.C. 20220
April 24, 1979

New York City Police Pension Fund,
Article 2
1 Police Plaza, Room 1010
New York, New York 10038
Attention: Patrick W. Lehane
Deputy Inspector

Dear Sirs:

Pursuant to Section 1.4(c) of the Guaranteed Bond Purchase Agreement dated as of November 15, 1978, as amended, by and among The City of New York (the "City"), certain New York State and City pension funds, and the United States of America, the City hereby adjourns the purchase of $100,000,000 aggregate principal amount of its serial bonds by the City Pension Funds from the scheduled Closing Date of May 24, 1979 to August 9, 1979.

Very truly yours,

THE CITY OF NEW YORK

By: [Signature]
Paul M. O'Brien
Third Deputy Comptroller
of The City of New York
April 24, 1979

Teachers' Retirement System for
The City of New York
40 Worth Street
New York, New York 10013
Attention: Wallace P. Sullivan
Executive Director

Dear Sirs:

Pursuant to Section 1.4(c) of the Guaranteed Bond Purchase Agreement dated as of November 15, 1978, as amended, by and among The City of New York (the "City"), certain New York State and City pension funds, and the United States of America, the City hereby adjourns the purchase of $100,000,000 aggregate principal amount of its serial bonds by the City Pension Funds from the scheduled Closing Date of May 24, 1979 to August 9, 1979.

Very truly yours,

THE CITY OF NEW YORK

By: [Signature]
Paul M. O'Brien
Third Deputy Comptroller
of The City of New York
April 24, 1979

Board of Education Retirement System for
The City of New York
65 Court Street
Brooklyn, New York 11201
Attention: Dwight R. Kearns
Executive Director

Dear Sirs:

Pursuant to Section 1.4(c) of the Guaranteed Bond Purchase Agreement dated as of November 15, 1978, as amended, by and among The City of New York (the "City"), certain New York State and City pension funds, and the United States of America, the City hereby adjourns the purchase of $100,000,000 aggregate principal amount of its serial bonds by the City Pension Funds from the scheduled Closing Date of May 24, 1979 to August 9, 1979.

Very truly yours,

THE CITY OF NEW YORK

By: [Signature]
Paul M. O'Brien
Third Deputy Comptroller
of The City of New York
April 24, 1979

New York City Employees' Retirement System
220 Church Street
New York, New York 10013
Attention: Harold E. Berkommer
Executive Director

Dear Sirs:

Pursuant to Section 1.4(c) of the Guaranteed Bond Purchase Agreement dated as of November 15, 1978, as amended, by and among the City of New York (the "City"), certain New York State and City pension funds, and the United States of America, the City hereby adjourns the purchase of $100,000,000 aggregate principal amount of its serial bonds by the City Pension Funds from the scheduled Closing Date of May 24, 1979 to August 9, 1979.

Very truly yours,

THE CITY OF NEW YORK

By:

[Signature]

Paul M. O'Brien
Third Deputy Comptroller of The City of New York
April 5, 1979

Re: Agreement to Guarantee

Dear Marilyn:

Enclosed please find the original extension of the March 31, 1979 date under Section 6.19(b) of the Agreement to Guarantee.

Very truly yours,

Special Assistant to the General Counsel

Marilyn Friedman
Attorney-At-Law
Municipal Assistance Corporation
One World Trade Center - Room 8901
New York, New York 10048

cc: Alexandra Altman
    John Bender
    Frieda Wallison
March 30, 1979

Reference is made to the Agreement to Guarantee ("Agreement to Guarantee") dated as of November 15, 1978 among the United States of America, acting by and through the Secretary of the Treasury, the State of New York, The City of New York ("City"), the New York State Financial Control Board and the Municipal Assistance Corporation For The City of New York ("MAC").

Pursuant to Section 6.19(b) of the Agreement to Guarantee, the undersigned does hereby agree to extend to May 15, 1979, the date by which MAC and the City must enter into an agreement as to the payment of bond anticipation notes of the City held by MAC.

W. Michael Blumenthal
W. MICHAEL BLUMENTHAL
Secretary of the Treasury
Honorable Michael H. Blumenthal  
The Secretary of the Treasury  
Department of the Treasury  
15th Street and Pennsylvania Avenue  
Washington, D. C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.21 of the Agreement to Guarantee, dated as of November 15, 1978, by and among the United States of America, the Financial Control Board and various other parties, please be advised that it currently appears that projected real estate tax receipts to be retained in the General Debt Service Fund established pursuant to Section 9-a of the Financial Emergency Act will be sufficient to make the scheduled debt service payment of $8,046,575.34 on Guaranteed City Indebtedness due on May 1, 1979, without requiring the deposit of additional monies in the Fund. The City currently projects that approximately $627 million of receipts from real estate taxes will be deposited in the General Debt Service Fund during April, of which approximately $270 million must be retained to pay monthly debt service (including debt service on Guaranteed City Indebtedness) during the months of May and June. The amounts projected to be retained in the Fund during the period beginning with the fifth banking day prior to the payment date for Guaranteed City Indebtedness and continuing through the payment date appear sufficient to provide for the payment of all principal and interest on City Indebtedness that is due during such period.
Honorable Michael H. Blumenthal  
April 2, 1979  
Page 2  

Copies of this notice have been sent to each of the parties specified by Article 9 of the Agreement to Guarantee.

Very truly yours,

FINANCIAL CONTROL BOARD

By: [Signature]

Comer S. Coppie  
Executive Director
March 29, 1979

Hon. W. Michael Blumenthal  
Secretary of the Treasury  
Department of the Treasury  
15th Street and Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Mr. Blumenthal:

Section 6.19(b) of the Agreement to Guarantee, entered into among the United States of America, this Corporation and certain other parties as of November 15, 1978, sets forth certain requirements respecting approximately $1 million aggregate principal amount of bond anticipation notes of the City of New York held by this Corporation.

In order to meet the requirements imposed by that Section, the Board of Directors of this Corporation at its meeting held March 28, 1979, duly authorized the Chairman of the Corporation to enter into agreements with the City respecting these notes, on substantially the terms and conditions set forth in the outline appended hereto. This meeting, which included a lengthy discussion of this issue, was attended by a representative of your Department.

Please note that the transactions contemplated by the Agreement referred to as "Agreement A" on the outline will be effected tomorrow and that the transactions contemplated by the agreement referred to as "Agreement B" in the outline are to be effected only subsequent to the following events: receipt of evidence that the agreement is satisfactory to you; review by the Financial Control Board in keeping with its responsibilities in connection with contracts to be entered into by the City; and the enactment of certain State legislation which we are advised is necessary to the issuance of a satisfactory opinion by Bond Counsel to the City respecting the City's ability to carry out the transactions contemplated by such Agreement.
March 29, 1979
Hon. W. Michael Blumenthal
Page Two

Please note also that in the event the conditions are not met by May 1, 1979, the parties will be required to work out another arrangement for disposition of the bond anticipation notes that is satisfactory to you. In order to enable the parties to seek the necessary State legislation and Control Board approval we request that time allowed in the Agreement to Guarantee to dispose of the BAN's be extended from March 31, 1979 to May 15, 1979, by which time the parties anticipate the conditions described above will have been fulfilled or the parties will have entered into another agreement satisfactory to you respecting disposition of the notes.

Thank you for your prompt attention to this matter.

Sincerely,

[Signature]

Robert F. Vagt
Executive Director

RFV:pas
OUTLINE

Disposition of MAC-held City BAN's

I. Agreement A

1. $20 million capital BAN's will be exchanged on March 30, 1979 for an equal principal amount of City bonds maturing serially on September 15 of each year beginning September 15, 1979, with the final maturity of at least $1 million payable September 15, 2002. These bonds will be callable at any time after March 12, 1990 at par and may be defeased at any time after all other City bonds containing the State Covenant have been defeased or paid. These bonds will be accompanied by an Adherence Agreement containing substantially the same covenants of the City as the Agreement received by the financial institutions and pension funds in connection with the November closings.

II. Agreement B

1. Approximately $620 million Mitchell-Lama, Multiple Dwelling and capital BAN's will be exchanged on or before May 15, 1979 for an equal principal amount of City bonds maturing serially in each year substantially in accordance with Schedule 1 attached, with the final maturity payable in 2008. These bonds will be callable at par and may be defeased at any time. These bonds will be accompanied by an Adherence Agreement.

2. Approximately $345 million Mitchell-Lama and capital BAN's will be paid substantially in accordance with the amortization schedule set forth on Schedule 2 attached, subject to certain possible prepayment provisions.

3. Approximately $27 million BAN's will be redeemed at par on or before June 10, 1979.

Interest on all City bonds to be issued under the Agreements and on BAN's to be amortized will be payable at the rate of 8% per annum. That rate approximates MAC's available cost of borrowing to date. Schedule 3 sets forth total debt service payments on the BAN's and bonds to be paid.

The effectiveness of Agreement B is subject to enactment of state legislation (a) to permit the BAN's described in II(2) to be renewed each year or (b) to authorize the payment of these BAN's in accordance with the proposed amortization schedule.
City Bond Counsel will not render an opinion as to the validity of new bonds or BAN's issued in renewal or refunding of the BAN's described in II(2). These BAN's were originally issued for objects or purposes for which the period of probable usefulness has expired, for Mitchell-Lama mortgages sold, and for certain other objects and purposes. With the proposed legislation, however, Bond Counsel has indicated that the City has authority to pay the BAN's in accordance with the amortization schedule, from real estate taxes imposed outside the 2-1/2% tax limit.

The agreement will provide that if the legislation is not adopted by a specified date, the Agreement will be null and void. In such event the parties will be required to enter into another agreement respecting the BAN's that is acceptable to Treasury.
# Schedule 1

**Payment Schedule for Exchange Bonds**

($ in Millions)

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### SCHEDULE 2
**PAYMENT SCHEDULE FOR BANS**
($ in millions)

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SCHEDULE 3(1)

COMBINED RAN BOND - RAN AMORTIZATION SCHEDULE
($ IN MILLIONS)

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February 28, 1979

Hon. W. Michael Blumenthal
U.S. Secretary of the Treasury
15th Street and Pennsylvania Ave.
Washington, D.C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.3 of the Agreement to Guarantee, I am enclosing a true and complete copy of a resolution adopted by the Control Board on February 27, 1979, approving Modification No. 79-5 to the City's Financial Plan.

Copies of this notice have been sent to other parties in accordance with Article 9 of the Agreement to Guarantee.

Very truly yours,

Comer S. Coppie

encl.
February 15, 1979

Hon. W. Michael Blumenthal
U.S. Secretary of the Treasury
15th Street and Pennsylvania Ave.
Washington, D.C. 20220

Dear Mr. Secretary:

Pursuant to Section 6.3 of the Agreement to Guarantee, I am enclosing a true and complete copy of a resolution adopted by the Control Board on February 14, 1979, approving Modification No. 79-4 to the City's Financial Plan.

Copies of this notice have been sent to other parties in accordance with Article 9 of the Agreement to Guarantee.

Very truly yours,

Comer S. Coppie

[Signature]

RECEIVED
MUNICIPAL ASSISTANCE CORPORATION

encl.

FEB 20'79

A.M. P.M. MAIL HAND
NEW YORK STATE FINANCIAL CONTROL BOARD

RESOLUTION

Proposed Modification No. 79-4
to the
Financial Plan

WHEREAS, on February 14, 1979, the City submitted for review and approval by the Control Board Proposed Modification No. 79-4 to the Financial Plan consisting of a modification to the section of the Financial Plan that relates to the City and the Board of Education (a copy of which is attached hereto as Exhibit A) and modifications to the sections of the Financial Plan that relate to Covered Organizations other than the Board of Education (copies of which are attached hereto as Exhibit B) based upon statements of significant assumptions and methods of estimation and certain other schedules and data previously submitted; and

WHEREAS, the City has certified that Proposed Modification No. 79-4 is complete and complies with the standards set forth in §8.1 of the Financial Emergency Act (the "Act"); and

WHEREAS, the Control Board has considered reports on Proposed Modification No. 79-4 prepared by the staff of the Control Board and the "Review of City's Four-Year Financial Plan FY1979 through FY1982" (FCB-117-79) certain draft reports on the covered organization prepared by the Office of the Special Deputy Comptroller and such other information as it deemed appropriate; it is therefore

RESOLVED, that the Control Board hereby finds that Proposed Modification No. 79-4 is complete and complies with the standards set forth in §8.1 of the Act and, pursuant to §8.3 of the Act, therefore approves Proposed Modification No. 79-4; and

RESOLVED, that the Executive Director of the Control Board is hereby authorized and directed to issue a certification to the City on behalf of the Control Board, pursuant to §8.3 of the Act, setting forth estimates of revenues contained in the Financial Plan as modified by Modification No. 79-4.
# NEW YORK CITY FINANCIAL PLAN

## FOUR YEAR PROJECTIONS OF REVENUES AND EXPENDITURES

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Property Taxes</td>
<td>$3,148</td>
<td>$3,096</td>
<td>$3,112</td>
<td>$3,135</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>3,242</td>
<td>3,289</td>
<td>3,382</td>
<td>3,510</td>
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<tr>
<td>Miscellaneous Revenues</td>
<td>1,203</td>
<td>1,228</td>
<td>1,187</td>
<td>1,215</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>2,392</td>
<td>1,951</td>
<td>1,949</td>
<td>1,951</td>
</tr>
<tr>
<td>State</td>
<td>2,183</td>
<td>1,951</td>
<td>1,971</td>
<td>1,999</td>
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<tr>
<td>Disallowances</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td>Unrestricted Intergovernmental Aid</td>
<td>1,073</td>
<td>925</td>
<td>938</td>
<td>997</td>
</tr>
<tr>
<td>Transfers from Capital Budget for Capitalized Expenses</td>
<td>445</td>
<td>300</td>
<td>150</td>
<td>-</td>
</tr>
<tr>
<td>Transfers from Capital Budget for Inter-Fund Agreements</td>
<td>76</td>
<td>78</td>
<td>80</td>
<td>83</td>
</tr>
<tr>
<td>Less: Intra-City Revenues</td>
<td>(366)</td>
<td>(371)</td>
<td>(382)</td>
<td>(393)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>13,296</td>
<td>12,347</td>
<td>12,287</td>
<td>12,397</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>EXPENDITURES</strong></th>
<th>FY 1979</th>
<th>FY 1980</th>
<th>FY 1981</th>
<th>FY 1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>PS</td>
<td>5,692</td>
<td>5,923</td>
<td>6,159</td>
<td>6,402</td>
</tr>
<tr>
<td>OPTS</td>
<td>5,956</td>
<td>5,339</td>
<td>5,474</td>
<td>5,649</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,376</td>
<td>1,292</td>
<td>1,297</td>
<td>1,282</td>
</tr>
<tr>
<td>MAC Debt Service Funding</td>
<td>483</td>
<td>453</td>
<td>460</td>
<td>461</td>
</tr>
<tr>
<td>General Reserve</td>
<td>155</td>
<td>142</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td>Less: Intra-City Expenditures</td>
<td>(366)</td>
<td>(371)</td>
<td>(382)</td>
<td>(393)</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>13,296</td>
<td>12,778</td>
<td>13,164</td>
<td>13,557</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Gap To Be Closed</th>
<th></th>
<th>(431)</th>
<th>(877)</th>
<th>(1,160)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Program to Close Gap</td>
<td>141</td>
<td>423</td>
<td>548</td>
<td></td>
</tr>
<tr>
<td>Remaining Gap to be Closed by Federal and State Actions</td>
<td>(290)</td>
<td>(434)</td>
<td>(612)</td>
<td></td>
</tr>
<tr>
<td>Additional City Programs to provide for shortfalls in Federal and State Actions</td>
<td>109</td>
<td>253</td>
<td>411</td>
<td></td>
</tr>
<tr>
<td>Remaining Gap to be Closed by Federal and State Actions</td>
<td>$ (181)</td>
<td>$ (201)</td>
<td>$ (201)</td>
<td></td>
</tr>
</tbody>
</table>

Note:
The Four Year Financial Plan makes no provision for wage increases in the 1981 and 1982 fiscal years. In view of current inflationary trends, it is not likely that the City will be able to negotiate a "no cost" labor settlement. A wage rate increase comparable to that negotiated in 1978 could add approximately $150 million and $350 million, to the projected 1981 and 1982 budget gaps respectively. Since any settlement will depend upon the negotiation process, precise quantification of the cost of a settlement is not possible. In the course of the Financial Plan, adjustments to accomodate future labor costs will be developed by the City, since any settlement must be consistent with the City's ability to pay and to maintain a balanced budget.
## NEW YORK CITY FINANCIAL PLAN
### FOUR YEAR PROJECTIONS OF CASH SOURCES AND USES

($ In Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USES OF CASH</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deficit (Surplus)</td>
<td>$ -</td>
<td>$ (25)</td>
<td>$ (25)</td>
<td>$ (25)</td>
</tr>
<tr>
<td>From Capital Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized Expenses</td>
<td>445</td>
<td>300</td>
<td>150</td>
<td>-</td>
</tr>
<tr>
<td>Inter-Fund Agreements</td>
<td>76</td>
<td>78</td>
<td>80</td>
<td>83</td>
</tr>
<tr>
<td>Increase (decrease) in accounts receivable</td>
<td>171</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decrease (increase) in accounts payable, accrued liabilities &amp; other liabilities</td>
<td>98</td>
<td>150</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for disallowance of aid revenues</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td>Funds Used in Operations</td>
<td>$ 690</td>
<td>$ 403</td>
<td>$ 105</td>
<td>$ (42)</td>
</tr>
<tr>
<td>Capital Disbursements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursable City</td>
<td>$ 327</td>
<td>$ 482</td>
<td>$ 586</td>
<td>$ 751</td>
</tr>
<tr>
<td>Increase (decrease) in restricted cash from bond proceeds</td>
<td>249</td>
<td>410</td>
<td>629</td>
<td>749</td>
</tr>
<tr>
<td>Reduction of Short-Term Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seasonal Loans</td>
<td>750</td>
<td>900</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>State Advance</td>
<td>800</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disallowances Paid</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Other</td>
<td>348</td>
<td>38</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td>$ 3,333</td>
<td>$ 2,340</td>
<td>$ 2,312</td>
<td>$ 2,390</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOURCES OF CASH</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipt of Reimbursable Capital</td>
<td>$ 339</td>
<td>$ 495</td>
<td>$ 600</td>
<td>$ 766</td>
</tr>
<tr>
<td>Proceeds from Short-Term Borrowing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seasonal Loans</td>
<td>750</td>
<td>900</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>State Advance</td>
<td>800</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>City Bonds</td>
<td>606</td>
<td>250</td>
<td>300</td>
<td>650</td>
</tr>
<tr>
<td>Transfers from MAC</td>
<td>727</td>
<td>532</td>
<td>537</td>
<td>99</td>
</tr>
<tr>
<td>Other: Mitchell-Lama Proceeds</td>
<td>214</td>
<td>60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td>$ 2,635</td>
<td>$ 2,237</td>
<td>$ 2,337</td>
<td>$ 2,415</td>
</tr>
<tr>
<td>(697)</td>
<td>(103)</td>
<td>25</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td><strong>Net Sources (Uses) of Cash</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Balance-Beginning of Period</td>
<td>$ 1,082</td>
<td>$ 385</td>
<td>$ 282</td>
<td>$ 307</td>
</tr>
<tr>
<td>Cash Balance-End of Period</td>
<td>$ 385</td>
<td>$ 282</td>
<td>$ 307</td>
<td>$ 332</td>
</tr>
</tbody>
</table>

Seasonal borrowing requirements may range from $800 to $1,000 million during 1980, 1981 and 1982.
NEW YORK CITY FINANCIAL PLAN
FISCAL YEAR 1979 FINANCING

($ In Millions)

<table>
<thead>
<tr>
<th>Financing</th>
<th>Fiscal Year Quarter</th>
<th>Total Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowing</td>
<td>$ -</td>
<td>Up to $(750)</td>
</tr>
<tr>
<td></td>
<td>$ 250</td>
<td>Up to $500</td>
</tr>
<tr>
<td>Long Term City</td>
<td>$ 106</td>
<td>$150</td>
</tr>
<tr>
<td>Borrowing</td>
<td>$ 200</td>
<td>$150</td>
</tr>
<tr>
<td></td>
<td>$150</td>
<td></td>
</tr>
</tbody>
</table>

Based on the City's month by month estimates of cash receipts and disbursements for fiscal year 1979, the City does not project any month end cash balance to be less than $100 million during the remainder of the fiscal year.
NEW YORK CITY FINANCIAL PLAN
FOUR YEAR CAPITAL PLAN
CITY AND NON-CITY FUNDS

($ In Millions)

Projected Capital Commitments

($ In Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 1979</th>
<th>FY 1980</th>
<th>FY 1981</th>
<th>FY 1982</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>433</td>
<td>705</td>
<td>1140</td>
<td>1472</td>
<td>3750</td>
</tr>
<tr>
<td>Non-City</td>
<td>610</td>
<td>718</td>
<td>813</td>
<td>893</td>
<td>3034</td>
</tr>
<tr>
<td>Total</td>
<td>1043</td>
<td>1423</td>
<td>1953</td>
<td>2365</td>
<td>6784</td>
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</table>

Projected Capital Expenditures

($ In Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 1979</th>
<th>FY 1980</th>
<th>FY 1981</th>
<th>FY 1982</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>313</td>
<td>475</td>
<td>695</td>
<td>817</td>
<td>2300</td>
</tr>
<tr>
<td>Non-City</td>
<td>339</td>
<td>495</td>
<td>600</td>
<td>766</td>
<td>2200</td>
</tr>
<tr>
<td>Total</td>
<td>652</td>
<td>970</td>
<td>1295</td>
<td>1583</td>
<td>4500</td>
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</table>
Battery Park City Authority

FY 1979-1982 Financial Plan

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income from Investments of Series &quot;A&quot; Bond Proceeds</td>
<td>5,610</td>
<td>5,615</td>
<td>5,133</td>
<td>4,539</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>5,610</td>
<td>5,615</td>
<td>5,133</td>
<td>4,539</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>1,500</td>
<td>- 0 -</td>
<td>- 0 -</td>
<td>- 0 -</td>
</tr>
<tr>
<td>Other Than Personal Services</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Pension</td>
<td>300</td>
<td>450</td>
<td>- 0</td>
<td>- 0</td>
</tr>
<tr>
<td>- Insurance</td>
<td>240</td>
<td>240</td>
<td>240</td>
<td>240</td>
</tr>
<tr>
<td>- Other</td>
<td>720</td>
<td>- 0</td>
<td>- 0</td>
<td>- 0</td>
</tr>
<tr>
<td><strong>Total OPTS</strong></td>
<td>1,260</td>
<td>690</td>
<td>240</td>
<td>240</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Interest on Series &quot;A&quot; Bonds</td>
<td>12,428</td>
<td>12,428</td>
<td>12,384</td>
<td>12,292</td>
</tr>
<tr>
<td>- Principal on Series &quot;A&quot; Bonds</td>
<td>-</td>
<td>-</td>
<td>1,850</td>
<td>1,950</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td>12,428</td>
<td>12,428</td>
<td>14,234</td>
<td>14,242</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>15,188</td>
<td>13,118</td>
<td>14,474</td>
<td>14,482</td>
</tr>
<tr>
<td><strong>Operating Gap</strong></td>
<td>(9,578)</td>
<td>(7,503)</td>
<td>(9,341)</td>
<td>(9,943)</td>
</tr>
</tbody>
</table>

Liquidation of Investments of Series "A" Bonds Proceeds

Capital Transfers to the Operating Budget | 9,578 | 7,503 | 9,341 | 9,943 |

Capital Expenses

- Site Acquisition, Relocation, Demolition, and Site Preparation | 1,430 | - | - | - |
- Civic Facilities Included under the Municipal Improvement Waiver | 2,921 | 314 | - | - |
- Planning and Other Expenses | 180 | - | - | - |
| **Total Capital Expenses** | 4,531 | 314 | - 0 | - 0 |

**TOTAL LIQUIDATION OF INVESTMENTS OF SERIES "A" BOND PROCEEDS** | 14,109 | 7,817 | 9,341 | 9,943 |
CERTAIN COVERED ORGANIZATIONS
NOT CURRENTLY IN OPERATION
AS OF DECEMBER 8, 1978

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooklyn Sports Center Authority</td>
<td>- 0 -</td>
<td>- 0 -</td>
</tr>
<tr>
<td>New York City Sports Authority</td>
<td>- 0 -</td>
<td>- 0 -</td>
</tr>
</tbody>
</table>
Exhibit B-3

CUCF FOUR YEAR PLAN (FY1979-FY1982)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>27,876</td>
<td>29,548</td>
<td>30,017</td>
<td>30,014</td>
</tr>
<tr>
<td>City</td>
<td>27,876</td>
<td>29,548</td>
<td>30,017</td>
<td>30,014</td>
</tr>
<tr>
<td>Interest</td>
<td>3,000</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58,752</strong></td>
<td><strong>61,596</strong></td>
<td><strong>62,534</strong></td>
<td><strong>62,528</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>53,257</td>
<td>57,391</td>
<td>57,390</td>
<td>57,383</td>
</tr>
<tr>
<td>Admin. Costs</td>
<td>2,845</td>
<td>1,904</td>
<td>2,844</td>
<td>2,844</td>
</tr>
<tr>
<td>Reserve for reduction of City and State contributions and/or additional debt issues</td>
<td>2,650</td>
<td>2,301</td>
<td>2,300</td>
<td>2,301</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58,752</strong></td>
<td><strong>61,596</strong></td>
<td><strong>62,534</strong></td>
<td><strong>62,528</strong></td>
</tr>
</tbody>
</table>

Surplus/(Deficit)  -0-   -0-   -0-   -0-
### CUNY Four Year Plan (FY1979-FY1982)

($ 000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City Funds</td>
<td>$111,055</td>
<td>$127,515</td>
<td>$138,175</td>
<td>$146,155</td>
</tr>
<tr>
<td>Capital</td>
<td>5,945</td>
<td>5,945</td>
<td>5,945</td>
<td>5,945</td>
</tr>
<tr>
<td>State Aid</td>
<td>232,906</td>
<td>243,300</td>
<td>248,974</td>
<td>252,243</td>
</tr>
<tr>
<td>Reserve for State Aid Disallowances</td>
<td>(1,250)</td>
<td>(5,000)</td>
<td>(7,500)</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Tuition/Fees/Misc.</td>
<td>132,855</td>
<td>133,275</td>
<td>132,474</td>
<td>131,628</td>
</tr>
<tr>
<td>Reserve for Tuition Collection Short Fall</td>
<td>-0-</td>
<td>(3,728)</td>
<td>(3,671)</td>
<td>(3,627)</td>
</tr>
<tr>
<td>CETA</td>
<td>7,530</td>
<td>7,530</td>
<td>7,530</td>
<td>7,530</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$489,041</strong></td>
<td><strong>$508,837</strong></td>
<td><strong>$521,927</strong></td>
<td><strong>$529,874</strong></td>
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</tbody>
</table>

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<tr>
<th></th>
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<tbody>
<tr>
<td>Personal Service</td>
<td>$140,938</td>
<td>$144,820</td>
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<td>Other Than P.S.*</td>
<td>353,353</td>
<td>372,745</td>
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<td>Unallocated Reserve for Community Colleges</td>
<td>(5,250)</td>
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<td>Reserve for Tuition Collection Short Fall</td>
<td>-0-</td>
<td>(3,728)</td>
<td>(3,671)</td>
<td>(3,627)</td>
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<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$489,041</strong></td>
<td><strong>$508,837</strong></td>
<td><strong>$521,927</strong></td>
<td><strong>$529,874</strong></td>
</tr>
</tbody>
</table>

| Surplus/(Deficit)  | 0          | 0          | 0          | 0          |

*Senior College costs to the City are carried as a lump sum in OTFS.
New York City Convention and Exhibition Center Corporation
Financial Plan Submission

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<th></th>
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<td><strong>Surplus/(Deficit)</strong></td>
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ECF Financial Plans FY1979-FY1982

($ 000)

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<td>Expenditures</td>
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<td>Personal Service</td>
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<td>OTPS</td>
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<td>9,385</td>
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<td>9,958</td>
<td>9,948</td>
<td>9,951</td>
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<td>(454)</td>
<td>(444)</td>
<td>(447)</td>
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Capital Funds

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<td>Provided</td>
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<td>240</td>
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<td>Used</td>
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<td>Net to Cash Balance</td>
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<td>240</td>
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Cash Balance

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<td>Beginning</td>
<td>15,273</td>
<td>19,157</td>
<td>18,943</td>
<td>18,739</td>
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<tr>
<td>Ending</td>
<td>19,157</td>
<td>18,943</td>
<td>18,739</td>
<td>18,532</td>
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<td>Net Change</td>
<td>3,884</td>
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Schedule of Projected Borrowings for FY1979 by Fiscal Quarter

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<th>4th Quarter</th>
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<td>0</td>
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<td>Revenues</td>
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<td>--------------</td>
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<td>1982</td>
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<td>1983</td>
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<td>1984</td>
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<td>1985</td>
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<td>1986</td>
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<td></td>
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<tr>
<td>1987</td>
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**TOTAL EXPENDITURES**
- City Reserve
- Pensions
- Operations
- Personal Services
- Other

**TOTAL REVENUES**
- Other Third Party
- Medicare
- Medicaid
- Services
- Real Estate

**Surplus (Gap to be Closed)** $3.501

Actions to close the gap

Four year financial plan 1979-82

New York City Health and Hospitals Corporation

Exhibit B-7
### New York City Housing Authority
#### Financial Plan

**SCHEDULE OF ESTIMATED REVENUES**

**Fiscal Years Ending June 30, 1979, 1980, 1981, 1982**

($000's)

<table>
<thead>
<tr>
<th></th>
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</thead>
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<tr>
<td><strong>State Program</strong></td>
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<td></td>
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</tr>
<tr>
<td>City Subsidy</td>
<td>9,389</td>
<td>9,089</td>
<td>8,789</td>
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<tr>
<td>State Subsidy</td>
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<td>18,292</td>
<td>18,292</td>
<td>18,292</td>
</tr>
<tr>
<td>Rent</td>
<td>32,625</td>
<td>33,277</td>
<td>33,943</td>
<td>34,622</td>
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<td>1,059</td>
<td>1,059</td>
<td>1,059</td>
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<tr>
<td><strong>Total</strong></td>
<td>61,365</td>
<td>61,717</td>
<td>62,083</td>
<td>62,762</td>
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<td><strong>City Program</strong></td>
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<tr>
<td>City Subsidy</td>
<td>6,045</td>
<td>5,845</td>
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<td>Rent</td>
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<td>35,974</td>
<td>36,693</td>
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<td>Interest &amp; Other Income</td>
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<tr>
<td><strong>Total</strong></td>
<td>43,101</td>
<td>43,606</td>
<td>44,125</td>
<td>44,859</td>
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<tr>
<td><strong>Housing Police</strong></td>
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<tr>
<td>City Subsidy</td>
<td>29,037</td>
<td>28,597</td>
<td>28,719</td>
<td>28,987</td>
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<td>17,064</td>
<td>17,482</td>
<td>17,662</td>
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<td><strong>Total</strong></td>
<td>47,075</td>
<td>45,661</td>
<td>46,201</td>
<td>46,649</td>
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<td><strong>Federal Program</strong></td>
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<tr>
<td>Federal Subsidies - Operating</td>
<td>91,828</td>
<td>96,419</td>
<td>104,287</td>
<td>112,754</td>
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<td>Debt Service</td>
<td>95,606</td>
<td>95,606</td>
<td>95,606</td>
<td>95,606</td>
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<tr>
<td>State Subsidy - Debt Service on FTP, I, II &amp; III Modernization</td>
<td>13,864</td>
<td>13,864</td>
<td>13,864</td>
<td>13,864</td>
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<tr>
<td>Notes</td>
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<tr>
<td>Rent</td>
<td>183,579</td>
<td>189,086</td>
<td>191,922</td>
<td>194,301</td>
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<td>8,895</td>
<td>8,895</td>
<td>8,895</td>
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<tr>
<td><strong>Total</strong></td>
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<td>408,980</td>
<td>413,817</td>
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<tr>
<td><strong>Leased Housing</strong></td>
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<tr>
<td>Subsidy</td>
<td>48,279</td>
<td>50,608</td>
<td>53,080</td>
<td>55,705</td>
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<td>5,517</td>
<td>5,600</td>
<td>5,684</td>
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<td>Interest &amp; Other Income</td>
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<td>225</td>
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<tr>
<td><strong>Total</strong></td>
<td>53,939</td>
<td>56,350</td>
<td>58,905</td>
<td>61,614</td>
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<tr>
<td><strong>Bronxchester</strong></td>
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<tr>
<td>Subsidy</td>
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<td>1,355</td>
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<td><strong>Total</strong></td>
<td>1,570</td>
<td>1,591</td>
<td>1,614</td>
<td>1,637</td>
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### CONSOLIDATED REVENUE

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<tbody>
<tr>
<td>City Subsidy</td>
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<td>43,531</td>
<td>43,153</td>
<td>43,421</td>
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<td>18,292</td>
<td>18,292</td>
<td>18,292</td>
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<td>11,966</td>
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<td>11,970</td>
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<td><strong>Grand Total</strong></td>
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<td>598,931</td>
<td>613,638</td>
<td>629,577</td>
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</table>
### New York City Housing Authority Financial Plan

#### Schedule of Estimated Expenditures

**Fiscal Years Ending June 30, 1979; 1980; 1981; 1982**

($000's)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>State Program</strong></td>
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<td>16,388</td>
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<td>17,773</td>
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<td><strong>Total</strong></td>
<td>43,101</td>
<td>44,243</td>
<td>45,453</td>
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<tr>
<td><strong>Housing Police</strong></td>
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<td>Personal Services</td>
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<td>13,864</td>
<td>13,864</td>
<td>13,864</td>
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<td>Debt Service -- all other</td>
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<td>95,606</td>
<td>95,606</td>
<td>95,606</td>
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<td><strong>Total</strong></td>
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<td><strong>Total</strong></td>
<td>53,939</td>
<td>56,350</td>
<td>58,905</td>
<td>61,614</td>
</tr>
<tr>
<td><strong>Bronxchester</strong></td>
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<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>234</td>
<td>234</td>
<td>234</td>
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<td>OTPS</td>
<td>352</td>
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<td>419</td>
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<td>Debt Service</td>
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<td><strong>Total</strong></td>
<td>1,560</td>
<td>1,581</td>
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### CONSOLIDATED EXPENDITURES

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<tbody>
<tr>
<td>Personal Services</td>
<td>190,649</td>
<td>189,744</td>
<td>189,744</td>
<td>189,744</td>
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<td>OTPS</td>
<td>272,660</td>
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<td>305,686</td>
<td>324,027</td>
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<td>Debt Service</td>
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<td>124,239</td>
<td>124,239</td>
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<tr>
<td><strong>Grand Total</strong></td>
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</thead>
<tbody>
<tr>
<td>Surplus/(Gap)</td>
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<td>(8,433)</td>
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<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
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¹Debt Service is the amount that will be accrued during the fiscal year and may differ from actual cash payments to fiscal agents.
NEW YORK CITY
HOUSING DEVELOPMENT CORPORATION

FY1979-FY1982 FINANCIAL PLAN

(in $ millions)

<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>Fees</td>
<td>$ .757</td>
<td>.774</td>
<td>.774</td>
<td>.774</td>
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<tr>
<td>Interest Income</td>
<td>1.676</td>
<td>1.641</td>
<td>1.643</td>
<td>1.643</td>
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<tr>
<td>Mortgagors' Payments</td>
<td>29.941</td>
<td>38.508</td>
<td>38.672</td>
<td>38.644</td>
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<tr>
<td>HUD §236 Subsidy</td>
<td>17.054</td>
<td>25.632</td>
<td>25.944</td>
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<tr>
<td><strong>TOTAL REVENUES:</strong></td>
<td>$49.428</td>
<td>66.555</td>
<td>67.033</td>
<td>67.005</td>
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</table>

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<tbody>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General Housing</td>
<td>.710</td>
<td>.727</td>
<td>.761</td>
<td>.789</td>
</tr>
<tr>
<td>- Multifamily</td>
<td>1.159</td>
<td>.750</td>
<td>.750</td>
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<tr>
<td>- F.I.T.</td>
<td>.002</td>
<td>.006</td>
<td>.006</td>
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<tr>
<td><strong>SUBTOTAL: Operating Expenses</strong></td>
<td>1.871</td>
<td>1.483</td>
<td>1.517</td>
<td>1.545</td>
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<tr>
<td>Fees to HPD</td>
<td>.380</td>
<td>.384</td>
<td>.384</td>
<td>.384</td>
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<tr>
<td>Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>- General Housing</td>
<td>23.714</td>
<td>21.829</td>
<td>22.701</td>
<td>22.678</td>
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<tr>
<td>- Multifamily</td>
<td>20.648</td>
<td>36.064</td>
<td>36.480</td>
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<tr>
<td>- F.I.T.</td>
<td>.064</td>
<td>.172</td>
<td>.169</td>
<td>.169</td>
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<tr>
<td><strong>SUBTOTAL: Debt Service</strong></td>
<td>44.426</td>
<td>58.065</td>
<td>59.350</td>
<td>59.327</td>
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<tr>
<td>Multifamily Funds Remitted to City</td>
<td></td>
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<tr>
<td></td>
<td>2.534</td>
<td>5.008</td>
<td>5.070</td>
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<tr>
<td><strong>TOTAL EXPENSES:</strong></td>
<td>49.211</td>
<td>64.940</td>
<td>66.321</td>
<td>66.326</td>
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<tr>
<td>Surplus or (Deficit)</td>
<td>.217</td>
<td>1.615</td>
<td>.712</td>
<td>.679</td>
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New York City Housing Authority

Projected Borrowings Fiscal Year 1979

(000)

<table>
<thead>
<tr>
<th></th>
<th>1st Q</th>
<th>2nd Q</th>
<th>3rd Q</th>
<th>4th Q</th>
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<tbody>
<tr>
<td>Bond Issue §8</td>
<td>$10,200</td>
<td>$27,120</td>
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<tr>
<td>City-held notes to be rolled over</td>
<td>-</td>
<td>$24,270</td>
<td>-</td>
<td>$24,139</td>
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<tr>
<td>Federal Program notes to be rolled over</td>
<td>$268,707</td>
<td>$76,833,</td>
<td>$76,623</td>
<td>$65,953</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$268,707</td>
<td>$111,303</td>
<td>$103,743</td>
<td>$90,083</td>
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FY 1979

Housing Development Corporation

Schedule of Projected Borrowings
(by fiscal quarter)
($ millions)

<table>
<thead>
<tr>
<th>1st Q</th>
<th>2nd Q</th>
<th>3rd Q</th>
<th>4th Q</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>135.0</td>
<td>80.0</td>
<td>2.0</td>
<td>63.3</td>
<td>280.3</td>
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New York City
Industrial Development Agency
FY1979-1982 Financial Plan

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<tr>
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</thead>
<tbody>
<tr>
<td>Fees</td>
<td>$660,000</td>
<td>$1,344,000</td>
<td>$1,680,000</td>
<td>$1,680,000</td>
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<tr>
<td>Interest</td>
<td>15,312</td>
<td>14,585</td>
<td>14,585</td>
<td>14,585</td>
</tr>
<tr>
<td>Total</td>
<td>$675,312</td>
<td>$1,358,585</td>
<td>$1,694,585</td>
<td>$1,694,585</td>
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</table>

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Personal Service</td>
<td>$308,196</td>
<td>$411,510</td>
<td>$473,237</td>
<td>$544,223</td>
</tr>
<tr>
<td>Other Than Personal Services</td>
<td>331,824</td>
<td>381,598</td>
<td>438,838</td>
<td>504,887</td>
</tr>
<tr>
<td>Total</td>
<td>$640,020</td>
<td>$793,108</td>
<td>$912,075</td>
<td>$1,048,887</td>
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</table>

<table>
<thead>
<tr>
<th>Surplus/(deficit)</th>
<th>FY1979</th>
<th>FY1980</th>
<th>FY1981</th>
<th>FY1982</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$35,292</td>
<td>$565,477</td>
<td>$782,510</td>
<td>$645,698</td>
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<thead>
<tr>
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<tbody>
<tr>
<td>BOP</td>
<td>$373,088</td>
<td>$408,380</td>
<td>$973,857</td>
<td>$1,756,367</td>
</tr>
<tr>
<td>EOP</td>
<td>$408,380</td>
<td>$973,857</td>
<td>$1,756,367</td>
<td>$2,402,055</td>
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SCHEDULE OF PROJECTED BORROWINGS

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$66 million</td>
<td>$134 million</td>
<td>$168 million</td>
<td>$168 million</td>
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NYC Off-Track Betting Corporation

FINANCIAL PLAN SUBMISSION
($ millions)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>HANDLE</td>
<td>$790.1</td>
<td>$795.0</td>
<td>$795.0</td>
<td>$795.0</td>
</tr>
<tr>
<td>Total Revenue earned on handle</td>
<td>189.8</td>
<td>191.0</td>
<td>191.0</td>
<td>191.0</td>
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<tr>
<td>Compensation to the Racing Industry</td>
<td>37.3</td>
<td>37.9</td>
<td>38.5</td>
<td>38.7</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>45.0</td>
<td>47.6</td>
<td>50.6</td>
<td>53.7</td>
</tr>
<tr>
<td>Other Than Personal Services</td>
<td>24.0</td>
<td>24.3</td>
<td>24.5</td>
<td>24.7</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>69.0</td>
<td>71.9</td>
<td>75.1</td>
<td>77.4</td>
</tr>
<tr>
<td>Surplus</td>
<td>83.5</td>
<td>81.0</td>
<td>77.3</td>
<td>73.8</td>
</tr>
<tr>
<td>PAYMENTS TO GOVERNMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to New York State</td>
<td>17.3</td>
<td>17.4</td>
<td>17.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Payments to Local Governments</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Payments to New York City</td>
<td>57.2</td>
<td>54.6</td>
<td>50.9</td>
<td>47.4</td>
</tr>
<tr>
<td>Total Payments</td>
<td>$83.5</td>
<td>$81.0</td>
<td>$77.3</td>
<td>$73.8</td>
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New York City
Rehabilitation Mortgage
Insurance Corporation
FY1979-1982 Financial Plan

<table>
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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Earnings on Mort Ins. and Operating Funds</td>
<td>$570,000</td>
<td>$555,000</td>
<td>$555,000</td>
<td>$555,000</td>
</tr>
<tr>
<td>Earnings on Prem. Reserve Fund</td>
<td>120,000</td>
<td>160,000</td>
<td>185,000</td>
<td>210,000</td>
</tr>
<tr>
<td>Insurance Prem., Fees and Other Investments</td>
<td>$42,000</td>
<td>$75,000</td>
<td>$112,000</td>
<td>$150,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$732,000</strong></td>
<td><strong>$790,000</strong></td>
<td><strong>$852,000</strong></td>
<td><strong>$915,000</strong></td>
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</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$145,000</td>
<td>$156,000</td>
<td>$185,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>OTPS</td>
<td>137,000</td>
<td>147,000</td>
<td>158,000</td>
<td>170,000</td>
</tr>
<tr>
<td>Insurance Claims</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$282,000</strong></td>
<td><strong>$303,000</strong></td>
<td><strong>$343,000</strong></td>
<td><strong>$370,000</strong></td>
</tr>
</tbody>
</table>

| Surplus/(Deficit)               | $450,000 | $487,000 | $509,000 | $545,000 |

FUND BALANCES (millions)

| Mortgage Insurance Fund        | $7.5    | $7.5    | $7.5    | $7.5    |
| Premium Reserve Fund           | $2.3    | $2.6    | $2.9    | $3.2    |
Staten Island Rapid Transit Operating Authority

Financial Plan Summary

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fare Revenue</td>
<td>$2.300M</td>
<td>$2.400M</td>
<td>$2.500M</td>
<td>$2.500M</td>
</tr>
<tr>
<td>City Payments</td>
<td>4.593</td>
<td>4.780</td>
<td>4.973</td>
<td>5.178</td>
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<tr>
<td>Transit Authority Payments</td>
<td>0.560</td>
<td>0.560</td>
<td>0.560</td>
<td>0.560</td>
</tr>
<tr>
<td>Misc. Revenue</td>
<td>0.030</td>
<td>0.030</td>
<td>0.030</td>
<td>0.030</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7.483</td>
<td>7.770</td>
<td>8.063</td>
<td>8.268</td>
</tr>
</tbody>
</table>

| **Expenses**         |          |          |          |          |
| Personnel Costs (PS) | 5.727    | 5.754    | 5.754    | 5.754    |
| Payments & Purchases (OTPS) | 1.246    | 1.346    | 1.452    | 1.568    |
| General Reserve      | 0.474    | 0.670    | 0.857    | 0.946    |
| **Total**            | 7.447    | 7.770    | 8.063    | 8.268    |

| Gross Surplus (Deficit) | 0.036 | -0- | -0- | -0- |
| Cash Flow Adjustments    | (0.368)| -0- | -0- | -0- |
| Budget Gap               | (0.332)| -0- | -0- | -0- |

| **Working Capital**     |          |          |          |          |
| Opening Balance         | 0.532    | 0.200    | 0.200    | 0.200    |
| Closing Balance         | 0.200    | 0.200    | 0.200    | 0.200    |

| **Gap-Closing Program** |          |          |          |          |
| Working Capital Drawdown | 0.332 | -    | -    | -    |
New York City Transit Authority & MABSTOA

Financial Plan for FY 1979-1982

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Fare Revenue</td>
<td>722.8</td>
<td>723.0</td>
<td>723.0</td>
<td>723.0</td>
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<tr>
<td>City Payments</td>
<td>298.9</td>
<td>283.0</td>
<td>284.6</td>
<td>286.8</td>
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<tr>
<td>State Payments</td>
<td>100.0</td>
<td>100.0</td>
<td>70.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Federal Payments</td>
<td>103.2</td>
<td>133.2</td>
<td>123.2</td>
<td>123.2</td>
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<tr>
<td>TSTA Payments</td>
<td>69.0</td>
<td>69.8</td>
<td>70.5</td>
<td>70.8</td>
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<tr>
<td>Misc Rev.</td>
<td>14.8</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>1308.7</td>
<td>1324.0</td>
<td>1286.3</td>
<td>1288.8</td>
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<table>
<thead>
<tr>
<th>Expenses</th>
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<tbody>
<tr>
<td>Operations, Maintenance</td>
<td>1191.4</td>
<td>1224.1</td>
<td>1252.8</td>
<td>1275.2</td>
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<tr>
<td>&amp; Admin.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit Police</td>
<td>96.6</td>
<td>97.2</td>
<td>98.5</td>
<td>100.4</td>
</tr>
<tr>
<td>Capital Engineering</td>
<td>32.1</td>
<td>32.6</td>
<td>33.3</td>
<td>33.9</td>
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<tr>
<td>Debt Service</td>
<td>11.6</td>
<td>11.4</td>
<td>11.0</td>
<td>10.6</td>
</tr>
<tr>
<td>General Reserve</td>
<td>12.0</td>
<td>12.0</td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1343.7</td>
<td>1377.3</td>
<td>1407.6</td>
<td>1432.1</td>
</tr>
</tbody>
</table>

| Surplus (Deficit)                | (35.0) | (53.3) | (121.3) | (143.3) |
| Cash Flow Adjustments            | 13.4   | -0-    | -0-     | -0-     |
| Budget Gap                       | (21.6) | (53.3) | (121.3) | (143.3) |

| Gap Closing Proposals            |        |        |        |        |
| Working Capital Drawdown         | 17.5   | -0-    | -0-    | -0-    |
| Additional Federal/State Aid     | -0-    | 66.7   | 73.6   | 76.5   |

| Additional Management Actions    | 4.1    | -      | 47.7   | 66.8   |
| **Total**                        | 21.6   | 66.7   | 121.3  | 143.3  |

| Working Capital                  |        |        |        |        |
| Opening Balance                  | 27.5   | 10.0   | 10.0   | 10.0   |
| Closing Balance                  | 10.0   | 10.0   | 10.0   | 10.0   |
Date: 8 February 1979
To: Judge Richard Brown and S. Michael Nadel
From: Linda W. Scale, Assistant Counsel
Re: Governor's Responsibilities Under the Agreement to Guarantee

Among the conditions which must be satisfied before the Secretary of the Treasury will issue additional guarantees on New York City Bonds, is the requirement that the Governor sign two documents:

1) the Guarantee Request (page 66 of Agreement to Guarantee);

2) the Certificate of the Governor (page 56 of the Agreement to Guarantee).

In addition, no guarantees will be made on or after July 1, 1979 unless the State has furnished the Secretary of the Treasury with "satisfactory assurances" that the amount of financial assistance to be provided by the State to the City during that fiscal year of the City will be not less than the amount provided in the 1979 fiscal year or unless the City's operating budget for the fiscal year is balanced in accordance with generally accepted accounting principles (Section 3.3.2, page 17 of the Agreement to Guarantee).

A final concern of the Governor may be the Certificates and representations of the Financial Control Board. The Governor is Chairman of the Control Board; Certificates are signed on behalf of the Board by its Executive Director. This memo does not address the content of those Certificates.

Representations in the Governor's Certificate

Statement 2 of the Certificate of the Governor represents that "[t]he State has performed all of its agreements to be performed on or prior to the date hereof pursuant to the Agreement [to Guarantee]." I believe that all the State's obligations under the Agreement are referred to in this memo. Statement 2 further represents that "the conditions specified in Section 3 of the [MAC] Bond Purchase Agreement and Section 3 of the [Seasonal] Loan Agreement applicable to the State or any State Agency have been satisfied or waived . . . ." "State Agency" as defined in the Agreement to Guarantee means any moral obligation authority.

The conditions set forth in Section 3 of the MAC Bond Purchase Agreement which might apply to the State or a State agency are as follows:
1) Section 3.4(b). No amendment of the State Covenant (Section 10-a.1 of the Financial Emergency Act as last amended by Chapter 777 of the Laws of 1978, set forth in Section 6.18 of the Agreement to Guarantee) and no amendment of the Financial Emergency Act which would have certain specified effects.

2) Section 3.4(c). No amendment to section 10-a.4 of the Financial Emergency Act (relating to the authority of pension fund trustees to purchase or commit to purchase City or MAC bonds) or to Chapter 890 of the Laws of 1975 (as last amended by Chapter 785 of the Laws of 1978) other than Chapter 785.

3) Section 3.5(c). The State shall not assert the defense of sovereign immunity in any suit by a holder of MAC or City bonds containing the State Covenant or in any suit by any purchaser under the MAC Bond Purchase Agreement.

4) Section 3.6(a),(b),(c). No action by the State which adversely affects the prospects for payment of MAC Bonds or questions the State's commitment to honor MAC's moral obligation makeup.

5) Section 3.8 (a),(b),(c). No default on State notes or bonds or State lease payments securing the debt of any public authority (except if contested in good faith); no default on any obligation of any moral obligation authority; and no bankruptcy of the State or any moral obligation authority.

The provisions of Section 3 of the Seasonal Loan Agreement which might apply to the State or a State Agency are as follows:

1) Section 3.2(E)(ii). The same requirements as number 1 above, plus no amendment to Anticipated Revenues Legislation (defined as Articles 73, 125 and 126 of the State Education Law, Title 2 of the Social Services Law, Articles 12 and 28 of the State Tax Law, and Article 4-a of the State Finance Law) adversely affecting the likelihood that revenues will be available in the amounts and by the times anticipated to pay the City's seasonal notes.

2) Section 3.2(E)(iii). The same requirements as number 2 above.

3) Section 3.2(J) (i),(ii),(iii). The same requirements as number 5 above.
4) Section 3.2(L). The State shall be in compliance with the terms of the State Covenant and the State Pledge that it will take no action impairing the power of the City to comply with certain provisions in the Financial Emergency Act (Section 10-a.3 of the Financial Emergency Act as added by Chapter 777 of the Laws of 1978).

Statement 3 of the Certificate of the Governor represents that "the representations and warranties of the State in Section 5.2 of the Agreement [to Guarantee] are true and correct on and as of the date hereof . . . ." The representations and warranties are found on pages 20 to 22 of the Agreement to Guarantee. It should be noted that the Attorney General's opinion on page 82 of the Agreement to Guarantee, to be delivered at each closing, makes substantially the same representations as are found in Section 5.2, but the Attorney General's opinion may be somewhat more limited than Section 5.2.5 with respect to pending litigation.

Statement 4 of the Certificate of the Governor represents that "no event or condition which constitutes [or which could ripen into] an event of default under the Agreement with respect to the State or any State Agency . . . has occurred and is continuing." Events which would constitute an event of default with respect to the State are as follows:

1) The State attacking the validity of the Financial Emergency Act (Section 7.1.5) or the Guarantee Fund (Section 7.1.6) or the State Covenant (Section 7.1.7) or taking any action in violation of the State Covenant (Section 7.1.7).

2) Failing to make available records relating to the financial affairs of the City or MAC (Sections 6.6 and 6.10).

3) A determination that any of the representations or warranties of the State were incorrect when made (Section 7.1.2).

4) Failure (not cured within 30 days of receiving notice thereof) to comply in any material respect with the provisions of the Agreement to Guarantee (Section 7.1.8). Additional State obligations under the Agreement not previously referred to are the requirement to provide additional assurances if requested (Section 6.11) and the obligation to comply with the terms of the various Financing Agreements, to use best efforts to enforce them, and not to consent to any waiver or amendment thereto without the consent of the Secretary (Section 6.20).
Statement 5 of the Certificate of the Governor represents that if certain assumptions are correct he believes that the long-term and seasonal borrowing needs of the City will be met.

A copy of the Agreement to Guarantee and a photocopy of Sections 3 of the MAC Bond Purchase Agreement and the Seasonal Loan Agreement are enclosed.
RESOLUTION OF THE MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK ESTABLISHING THE CITY OF NEW YORK BOND GUARANTY FUND

Be it Resolved by the Board of Directors of the Municipal Assistance Corporation For The City of New York (the "Corporation") as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 101. **Short Title.** This resolution may hereafter be cited by the Corporation, and is hereinafter sometimes referred to, as the "Guaranty Fund Resolution".

SECTION 102. **Definitions.** In this Guaranty Fund Resolution unless a different meaning clearly appears from the context:

(1) Articles and Sections mentioned by number only are the respective Articles and Sections of the Guaranty Fund Resolution so numbered;

(2) "Act" shall mean the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, said Acts being Titles I, II and III of Article 10 of the Public Authorities Law, both as amended to the date of adoption of this Guaranty Fund Resolution;

(3) "Authorized Officer" means any member of the Board of Directors of the Corporation, its Treasurer or an Assistant Treasurer, Secretary, any Assistant Secretary, its Executive Director, Deputy Executive Director, its Counsel and any other person authorized by resolution of the Corporation to perform the act or sign the document in question;

(4) "Bonds" means the bonds of the City held by the Pension Funds and secured by the Guarantee issued on the first Closing Date pursuant to the Guaranteed Bond Purchase Agreement, dated as of November 15, 1978;

(5) "City" means The City of New York;

(6) "City Officers" means the Mayor and Comptroller of the City;

(7) "Depository" means the bank or trust company organized under the laws of the State of New York, or a national banking asso-
ciation doing business and having its principal office in such State as appointed by resolution of the Corporation;

(8) "Funding Level" means an amount equal to five per centum of (i) the unpaid principal amount of all Bonds and (ii) the maximum amount of interest payable on all Bonds, the principal of which remains unpaid as of the date of calculation, in any period of twelve consecutive months;

(9) "Guaranty" means the guarantee by the United States of America of the payment of the principal of or interest on bonds of the City authorized pursuant to Public Law number 95-339 and issued pursuant to the Agreement to Guarantee dated as of November 15, 1978 by and among the United States of America, the City, the State, the Corporation and the Financial Control Board identified therein;

(10) "Guaranty Fund" means the fund created pursuant to Section 301 of the Guaranty Fund Resolution;

(11) "Paying Agent" means the bank, trust company or other corporation authorized by the City to pay the principal of and interest on the Bonds, when due;

(12) "Pension Funds" mean any or all of the New York City Employees' Retirement System, the New York City Police Pension Fund—Article 2, New York City Fire Department Pension Fund—Article 1B, New York City Board of Education Retirement System, the Teachers' Retirement System of the City of New York, the New York State Common Retirement Fund, or the New York State Teachers' Retirement System;

(13) "Secretary" means the Secretary of the Treasury of the United States or such official's lawful designee;

(14) "State" means the State of New York; and

(15) Words importing the singular number include the plural number and vice versa and words importing persons include firms, associations and corporations. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

ARTICLE II

OBLIGATION OF THE CORPORATION

SECTION 201. Authority for Guaranty Fund Resolution. The Guaranty Fund Resolution is adopted pursuant to the provisions of the Act.
SECTION 202. Guaranty Fund Resolution to Constitute Contract. In consideration of the purchase and acceptance of any of the Bonds by the Pension Funds and for so long as any such Bonds are held by any of the Pension Funds and in consideration of the Guarantee recited thereon, the Corporation has adopted this Guaranty Fund Resolution and acknowledges hereby that (i) the Secretary has relied upon the adoption of this Guaranty Fund Resolution and the establishment of the Guaranty Fund in the making of the Guarantee and (ii) the Pension Funds have relied upon the adoption of the Guaranty Fund Resolution and the establishment of the Guaranty Fund as fulfillment of a condition precedent to the making of the Guarantee without which such Pension Funds would not have purchased the Bonds.

The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of any of the Pension Funds as holders of any and all of the Bonds all of which shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof.

SECTION 203. Obligation of the Corporation. The Corporation shall be under no obligation to maintain the Guaranty Fund at any level and shall not be required to deposit any monies therein other than monies received for such purpose from the proceeds of sale of obligations of the Corporation.

ARTICLE III

THE GUARANTY FUND

SECTION 301. Establishment of the Guaranty Fund. There is hereby established with the Depository a trust fund entitled the Guaranty Fund.

SECTION 302. Monies in the Guaranty Fund. The Corporation may deposit monies in the Guaranty Fund from time to time. Subject to the provisions of Section 303 below, monies on deposit in the Guaranty Fund shall only be used for the purpose of making payment, not earlier than the due date thereof, of principal of or interest on the Bonds or of reimbursing the United States of America for payments made under the Guarantee.

SECTION 303. Transfers from the Guaranty Fund. (1) To the extent the balance on deposit in the Guaranty Fund exceeds the Funding Level whether through investment income or interest earnings on the investment of
monies in the Guaranty Fund or by virtue of a reduction in unpaid principal amount of the Bonds, such excess shall be transferred to the Corporation and used for any corporate purpose of the Corporation or shall be retained in and become part of the Guaranty Fund as the Depository shall be directed in the certificate of an Authorized Officer. If at any time there shall no longer be any payments due or to become due as principal of or interest on the Bonds, any monies remaining on deposit in the Guaranty Fund shall be transferred to the Corporation and may be used for any corporate purpose of the Corporation provided, however, that prior to any such transfer, the Depository receives the certifications referred to in Section 409 hereof.

(2) On any day on which a payment of the principal of or interest on any Bond is due and upon which the Depository receives a certificate of the City Officers (i) stating that the City has not made available to the Paying Agent monies in an amount sufficient to pay the principal of or interest on any such Bonds and (ii) setting forth the amount of the estimated deficiency, after giving notice to the Corporation and the Secretary, but only after receiving the consent of the Secretary, the Depository shall transfer the amount of such deficiency, but in no event an amount greater than the lesser of (a) the amount of monies then on deposit in the Guaranty Fund to the Paying Agent for the sole purpose of paying the principal or interest on such Bonds or (b) the Funding Level.

(3) On any day on which a payment of the principal of or interest on any Bond is due and upon which the Depository receives a certificate from an officer of the Paying Agent stating (i) the Paying Agent does not then hold sufficient funds of the City to make the payments of principal of or interest on bonds of the City, including the Bonds, required to be made by such Paying Agent on such day, and (ii) the Paying Agent has informed the City Officers of the deficiency with regard to the payment of the principal of or interest on the Bonds and has not been offered any assistance which enables it to pay in full such principal and interest on such day, upon notice to the Corporation, the City and the Secretary, but only after receiving the consent of the Secretary, the Depository shall transfer the amount of such deficiency, but in no event an amount greater than the lesser of (a) the amount of monies then on deposit in the Guaranty Fund to the Paying Agent, for the sole purpose of paying the portion of the principal of or interest on the Bonds provided for by the City or (b) the Funding Level.

(4) On any day on which the Depository receives a certificate of the Secretary stating that the Secretary has made payment to the Pension Fund pursuant to the Guarantee, for which the Secretary has not been made whole,
the Depository, shall transfer the amount so paid by and not compensated to the Secretary or at the order of the Secretary, but in no event shall the amount required to be transferred exceed the lesser of (a) the amount of monies then on deposit in the Guaranty Fund or (b) the Funding Level:

SECTION 304. Investment of Funds. Monies in the Guaranty Fund shall, as nearly as may be practicable be invested by the Depository upon direction of the Corporation in writing, signed by an Authorized Officer (which direction shall specify the amount thereof to be so invested, and the Corporation in issuing such direction shall take into consideration the dates and times when monies in such Guaranty Fund may be required for the purpose of this Guaranty Fund Resolution), in direct obligations of the United States of America or obligations, the principal and interest of which are guaranteed by the United States of America.

ARTICLE IV

APPOINTMENT AND DUTIES OF DEPOSITORY

SECTION 401. Appointment of the Depository. The Depository shall signify its acceptance of the duties and obligations imposed upon it by this Guaranty Fund Resolution by written instrument of acceptance deposited with the Corporation and the Secretary. The corporate trust offices of the Depository are hereby designated as the offices for delivery of all certificates or notices required to be delivered to the Depository pursuant to this Guaranty Fund Resolution.

SECTION 402. Responsibilities of Depository. The recitals of fact herein contained shall be taken as the statements of the Corporation and the recitals of fact contained in or set forth on the Bonds, if any, shall be taken as the statements of the City or the Secretary as appropriate and the Depository does not assume any responsibility for the correctness of the same. The Depository shall not be deemed to make any representations as to the validity or sufficiency of this Guaranty Fund Resolution or of any of the Bonds (or the coupons, if any, appertaining thereto) or in respect of any security afforded by this Guaranty Fund Resolution or the Guarantee. The Depository shall not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own monies, unless properly indemnified. The Depository shall not be liable in connection with the performance of its duties hereunder except for its own negligence or default.
SECTION 403. Evidence on Which the Depository May Act. The Depository shall be protected in acting upon any notice, direction, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Depository may consult with counsel, who may or may not be of counsel to the Corporation, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Guaranty Fund Resolution in good faith and in accordance therewith.

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

Except as otherwise expressly provided in this Guaranty Fund Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Corporation to the Depository shall be sufficiently executed if executed in the name of the Corporation by an Authorized Officer, or if to be executed by the City shall be sufficiently executed if executed in the name of the City by the City Officers (or any person authorized in accordance with the charter of the City to act in the absence of either of such City Officers), or if to be executed by the Secretary shall be sufficiently executed if executed in the name of the Secretary by the Secretary or an authorized assistant, or if to be executed by the Paying Agent shall be sufficiently executed if executed in the name of the Paying Agent by an officer of such Paying Agent.

SECTION 404. Compensation. The Corporation shall pay to the Depository from time to time reasonable compensation for all services rendered under this Guaranty Fund Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Guaranty Fund Resolution, and the Depository shall have a lien therefor on any and all monies in the Guaranty Fund in excess of the Funding Level.
SECTION 405. Resignation of Depository. The Depository may at any
time resign and be discharged of the duties and obligations created by this
Resolution by giving not less than sixty (60) days' written notice to the
Corporation, the City and the Secretary, specifying the date when such resignation
shall take effect and such resignation shall take effect upon the day
specified in such notice unless previously a successor shall have been ap-
pointed, as provided in Section 407, in which event such resignation shall take
effect immediately on the appointment of such successor. The foregoing
notwithstanding no such resignation shall take effect until a successor Depos-
itory shall have been appointed.

SECTION 406. Removal of Depository. The Depository shall be re-
moved by the Corporation if at any time so requested by an instrument or
concurrent instruments in writing, filed with the Trustee and the Corporation,
executed by the Secretary and the City Officers.

SECTION 407. Appointment of Successor Depository. In case at any
time the Depository shall resign or shall be removed or shall become incap-
able of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver,
liquidator or conservator of the Depository, or of its property, shall be ap-
pointed, or if any public officer shall take charge or control of the Depository,
or of its property or affairs, the Corporation covenants and agrees that it will
thereupon appoint a successor Depository. The Corporation shall give prompt
written notice of any such appointment made by it to the City and the
Secretary.

If in a proper case no appointment of a successor Depository shall be
made pursuant to the foregoing provisions of this Section within forty-five
(45) days after the Depository shall have given to the Corporation written
notice, as provided in Section 405, or after a vacancy in the office of the
Depository shall have occurred by reason of its inability to act, the Depository
or the Corporation, City or Secretary may apply to any court of competent
jurisdiction to appoint a successor Depository. Said court may thereupon,
after such notice, if any, as such court may deem proper and prescribe,
appoint a successor Depository.

Any Depository appointed under the provisions of this Section 407
in succession to the Depository shall be a bank or trust company organized
under the laws of the State of New York, or a national banking association
doing business and having its principal office in such State, and having a
capital and surplus aggregating at least Fifty Million Dollars ($50,000,000) if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Guaranty Fund Resolution.

Section 408. Merger, Conversion or Consolidation. Any company into which the Depository may be merged, converted into or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Depository may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Depository without the execution or filing of any paper or the performance of any further act, provided with respect to the Depository that such company shall be a bank or trust company organized under the laws of any state of the United States or the District of Columbia or a national banking association and shall have an office for the transaction of its business in any such state or the District of Columbia and shall be authorized by law to perform all the duties imposed upon it by this Guaranty Fund Resolution.

Section 409. Disbursements from the Guaranty Fund. The Depository shall transfer monies from the Guaranty Fund in accordance with the provisions of Section 303 hereof. In addition to the transfers required thereunder, the Depository shall disburse all monies then remaining in the Guaranty Fund to or at the direction of the Corporation, to be used for any of its corporate purposes, upon the receipt of (i) a certificate of an Authorized Officer stating that there are no longer any Bonds the principal of and interest on which remains unpaid, (ii) a certificate of the City Officers setting forth the same matter as in (i) hereinbefore and (iii) a certificate of the Secretary setting forth the same matter as in (i) hereinbefore.

Section 410. Amendment. This Guaranty Fund Resolution may be amended by subsequent resolution of the Corporation consented to in writing by the Secretary.

Section 411. Effective Date. This Guaranty Fund Resolution shall take effect immediately upon the appointment of the Depository.

RESOLUTION OF THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK APPOINTING A DEPOSITORY FOR
THE CITY OF NEW YORK BOND GUARANTY FUND

Be it Resolved by the Board of Directors of the Municipal Assistance
Corporation For The City of New York (the “Corporation”) that in
accordance with the provisions of a resolution of the Corporation known
by the short title of Guaranty Fund Resolution adopted November 14, 1978
(the “Resolution”), the Morgan Guaranty Trust Company of New York
is hereby appointed Depository in accordance with and as defined in the
Resolution.

This resolution shall take effect immediately.

NEW YORK STATE FINANCIAL CONTROL BOARD

, the Executive Director of the Financial Control Board (the "Board") hereby certifies for and on behalf of the Control Board as follows:

1. Reference is made to that certain Agreement to Guarantee (the "Agreement") dated as of , 1978, by and among the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary") with the State of New York, The City of New York, the New York State Financial Control Board and the Municipal Assistance Corporation for the City of New York. Terms which are therein defined are used herein with the same meanings, except as otherwise provided herein.

2. On , the Board approved a financial plan for the City and the covered organizations (as defined in the New York State Financial Emergency Act for the City of New York, as amended [the "Act"], which it determined was consistent with applicable provisions of Section 8 of the Act and which covers Fiscal Year [fiscal year of closing] through Fiscal Year [fiscal year three years thereafter]. On (insert the date of approval of each subsequent financial plan modification) the Control Board approved modifications to such financial plan and determined that such financial plan, as modified, was consistent with applicable provisions of Section 8 of the Act (such financial plan [, as modified] is hereafter referred to as the "Financial Plan").
In the judgment of the Board, the adoption of the Financial Plan and the submission of the Financial Plan to the Secretary with the approval of the Control Board, satisfies the applicable requirements of Section 103(5) of the New York City Loan Guarantee Act of 1978.

3. The Financial Plan is based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which the Board has determined are reasonable and appropriate for purposes of fulfilling its statutory obligations under the Act to review and approve or disapprove a financial plan and financial plan modifications. On the basis of such assumptions and methods of estimation, the Financial Plan currently projects (a) that Total Revenues of the City during the current Fiscal Year will be $ and that the City will not incur a Deficit during the current Fiscal Year and (b) that actual and anticipated seasonal borrowings of the City during the current Fiscal Year will aggregate $ , which is equal to % of projected Total Revenues. In addition, in accordance with paragraph (c) of subdivision five of Section 3038 of the Public Authorities Law, the Financial Plan includes transfers from the capital budget to fund expense items of $ , $ , and $ , for Fiscal Years 1979, 1980 and 1981 respectively, and does not include any such transfers for Fiscal Year 1982. [As of (insert date which is within 10 days of the Closing Date) the Board determined, pursuant to its statutory obligations under the Act, that no further modification of the Financial Plan would then be required]*

*This sentence to be included only if the Financial Plan was not approved by the Control Board within 10 days of the Closing Date.
4. In the judgment of the Board, the City is in substantial compliance with all outstanding orders of the Board.

5. The Board is not aware of any violation of the Act by the City which would substantially impair the ability of the City to adopt or maintain a budget balanced in accordance with the provisions of the State Financial Emergency Act during each of the fiscal years covered by the Financial Plan.

IN WITNESS WHEREOF, I have hereunto set forth my hand this day of , 19.

NEW YORK STATE FINANCIAL CONTROL BOARD

By........................................
Executive Director
Date: 8 February 1979

To: Judge Richard Brown and S. Michael Nadel

From: Linda W. Seale, Assistant Counsel

Re: Governor's Responsibilities Under the Agreement to Guarantee

Among the conditions which must be satisfied before the Secretary of the Treasury will issue additional guarantees on New York City Bonds, is the requirement that the Governor sign two documents:

1) the Guarantee Request (page 66 of Agreement to Guarantee);

2) the Certificate of the Governor (page 56 of the Agreement to Guarantee).

In addition, no guarantees will be made on or after July 1, 1979 unless the State has furnished the Secretary of the Treasury with "satisfactory assurances" that the amount of financial assistance to be provided by the State to the City during that fiscal year of the City will be not less than the amount provided in the 1979 fiscal year or unless the City's operating budget for the fiscal year is balanced in accordance with generally accepted accounting principles (Section 3.3.2, page 17 of the Agreement to Guarantee).

A final concern of the Governor may be the Certificates and representations of the Financial Control Board. The Governor is Chairman of the Control Board; Certificates are signed on behalf of the Board by its Executive Director. This memo does not address the content of those Certificates.

Representations in the Governor's Certificate

Statement 2 of the Certificate of the Governor represents that "[t]he State has performed all of its agreements to be performed on or prior to the date hereof pursuant to the Agreement [to Guarantee]." I believe that all the State's obligations under the Agreement are referred to in this memo. Statement 2 further represents that "the conditions specified in Section 3 of the [MAC] Bond Purchase Agreement and Section 3 of the [Seasonal] Loan Agreement applicable to the State or any State Agency have been satisfied or waived . . . ." "State Agency" as defined in the Agreement to Guarantee means any moral obligation authority.

The conditions set forth in Section 3 of the MAC Bond Purchase Agreement which might apply to the State or a State agency are as follows:
1) Section 3.4(b). No amendment of the State Covenant (Section 10-a.1 of the Financial Emergency Act as last amended by Chapter 777 of the Laws of 1978, set forth in Section 6.18 of the Agreement to Guarantee) and no amendment of the Financial Emergency Act which would have certain specified effects.

2) Section 3.4(c). No amendment to section 10-a.4 of the Financial Emergency Act (relating to the authority of pension fund trustees to purchase or commit to purchase City or MAC bonds) or to Chapter 890 of the Laws of 1975 (as last amended by Chapter 785 of the Laws of 1978) other than Chapter 785.

3) Section 3.5(c). The State shall not assert the defense of sovereign immunity in any suit by a holder of MAC or City bonds containing the State Covenant or in any suit by any purchaser under the MAC Bond Purchase Agreement.

4) Section 3.6(a),(b),(c). No action by the State which adversely affects the prospects for payment of MAC Bonds or questions the State's commitment to honor MAC's moral obligation makeup.

5) Section 3.8 (a),(b),(c). No default on State notes or bonds or State lease payments securing the debt of any public authority (except if contested in good faith); no default on any obligation of any moral obligation authority; and no bankruptcy of the State or any moral obligation authority.

The provisions of Section 3 of the Seasonal Loan Agreement which might apply to the State or a State Agency are as follows:

1) Section 3.2(E)(ii). The same requirements as number 1 above, plus no amendment to Anticipated Revenues Legislation (defined as Articles 73, 125 and 126 of the State Education Law, Title 2 of the Social Services Law, Articles 12 and 28 of the State Tax Law, and Article 4-a of the State Finance Law) adversely affecting the likelihood that revenues will be available in the amounts and by the times anticipated to pay the City's seasonal notes.

2) Section 3.2(E)(iii). The same requirements as number 2 above.

3) Section 3.2(J) (i),(ii),(iii). The same requirements as number 5 above.
Section 3.2(L). The State shall be in compliance with the terms of the State Covenant and the State Pledge that it will take no action impairing the power of the City to comply with certain provisions in the Financial Emergency Act (Section 10-a.3 of the Financial Emergency Act as added by Chapter 777 of the Laws of 1978).

Statement 3 of the Certificate of the Governor represents that "the representations and warranties of the State in Section 5.2 of the Agreement [to Guarantee] are true and correct on and as of the date hereof. . . ." The representations and warranties are found on pages 20 to 22 of the Agreement to Guarantee. It should be noted that the Attorney General's opinion on page 82 of the Agreement to Guarantee, to be delivered at each closing, makes substantially the same representations as are found in Section 5.2, but the Attorney General's opinion may be somewhat more limited than Section 5.2.5 with respect to pending litigation.

Statement 4 of the Certificate of the Governor represents that "no event or condition which constitutes [or which could ripen into] an event of default under the Agreement with respect to the State or any State Agency . . . has occurred and is continuing." Events which would constitute an event of default with respect to the State are as follows:

1) The State attacking the validity of the Financial Emergency Act (Section 7.1.5) or the Guarantee Fund (Section 7.1.6) or the State Covenant (Section 7.1.7) or taking any action in violation of the State Covenant (Section 7.1.7).

2) Failing to make available records relating to the financial affairs of the City or MAC (Sections 6.6 and 6.10).

3) A determination that any of the representations or warranties of the State were incorrect when made (Section 7.1.2).

4) Failure (not cured within 30 days of receiving notice thereof) to comply in any material respect with the provisions of the Agreement to Guarantee (Section 7.1.8). Additional State obligations under the Agreement not previously referred to are the requirement to provide additional assurances if requested (Section 6.11) and the obligation to comply with the terms of the various Financing Agreements, to use best efforts to enforce them, and not to consent to any waiver or amendment thereto without the consent of the Secretary (Section 6.20).
Statement 5 of the Certificate of the Governor represents that if certain assumptions are correct he believes that the long-term and seasonal borrowing needs of the City will be met.

A copy of the Agreement to Guarantee and a photocopy of Sections 3 of the MAC Bond Purchase Agreement and the Seasonal Loan Agreement are enclosed.
(FORM OF OPINION OF DILLON, READ & CO. INC.)

On , 1978, we were retained to serve as Financial Advisor to the City of New York (the "City"). As Financial Advisor, our principal function will be to provide advice and assistance to the City with respect to its future financing and, in particular, with respect to financing through the sale of obligations in the public markets.

Pursuant to an Agreement to Guarantee dated as of October 31, 1978 (the "Agreement"), the City is required to submit to you an opinion of its Financial Advisor as to:

1. The City's present ability to obtain long-term credit in the public markets in amounts and on terms sufficient to meet the City's financial needs as set forth in its Four Year Financial Plan (the "Financial Plan").

2. The City's ability to obtain funds to meet its seasonal financing requirements in the amounts specified in the Financial Plan through the period ending June 30, 1982, and including City fiscal years 1980, 1981 and 1982.

It should be noted that the Agreement contemplates the retention of an investment banking firm as Financial Advisor. As investment bankers, our expertise relates to assessment of conditions in the money and capital markets and the structuring and sale of debt and equity obligations
on behalf of public and private entities. We do not hold ourselves out as experts in the fields of budgeting, fiscal planning, economic analysis or forecasting or other professional disciplines except as described above.

Certain of the views set forth in this letter are necessarily based upon assumptions concerning future events. We have no basis for making an expert judgment regarding such assumptions. Accordingly, you and the City have authorized us to rely upon such assumptions, as set forth in letters to us from the City and from you which are attached hereto as Exhibits A and B. As further acknowledged and directed in such Exhibits, we have made no independent verification or judgments as to such assumptions.

Based upon the foregoing, and upon our review of current conditions in the municipal securities market, as well as such other considerations which we have deemed necessary, it is our opinion that:

1. The City is, as of this date, effectively unable to obtain long-term credit in the public markets in amounts and on terms sufficient to meet the City's financing needs as set forth in the Financial Plan.

2. Based solely upon the assumptions set forth in Exhibits A and B, the City should have access to short-term funds in amounts sufficient to meet

This opinion is rendered solely for your use in connection with the requirements imposed by the Agreement regarding your findings with respect to conditions of eligibility under the New York City Loan Guarantee Act of 1978, and may not be used or quoted and should not be relied upon for any other purpose. We have not considered and express no opinion upon any matter not specifically opined upon herein, including particularly future conditions in the municipal securities market or any other financial markets, the assumptions set forth in Exhibits A and B, or the current or future financial condition of the City.

Sincerely,

Dillon, Read & Co. Inc.
Draft of October 27, 1978

EXHIBIT
To The Agreement
To Guarantee

CERTIFICATE OF THE CITY OF NEW YORK

, the Director of Management and Budget of The City of New York (the "City") and the First Deputy Comptroller of the City hereby certify on behalf of the City and to the best of their knowledge and belief as follows:

1. Reference is made to the Agreement to Guarantee (the "Agreement") dated as of , 1978, by and among the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary") with the State of New York, The City of New York, the New York State Financial Control Board and the Municipal Assistance Corporation for the City of New York. Terms which are therein defined are used herein with the same meanings, except as otherwise provided herein.

2. The City is as of the date hereof in compliance with the Agreement, the Bond Purchase Agreement and the Adherence Agreement. Each of the Conditions specified in Sections 3.3(a), 3.7, 3.8, 3.10, 3.12 and 3.17 of the Bond Purchase Agreement to the extent such sections are applicable to the City has been satisfied to the date hereof.
3. The representations and warranties of the City in Section 5.1 of the Agreement and Section 1 of the Adherence Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof.

4. To the knowledge of the undersigned, no event or condition which constitutes an event of default under the Agreement has occurred and is continuing, and the undersigned have received no notice of any event or condition which, in their judgment, with the passage of time would constitute such an event of default.

5. No Bankruptcy, insolvency or other similar proceedings or moratorium or similar legislation in respect of the City or its obligations is pending or, to the best of the knowledge of the undersigned, contemplated.

6. Subject to the qualifications contained therein the Official Statement of the City does not contain any untrue statement of a material fact with respect to the City or omit any statement of such a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
7. The Board approved a Financial Plan covering the current Fiscal Year and the next succeeding three Fiscal Years and modifications thereto on
The actual and forecast expenditures of the City excluding capital items, as such expenditures were presented in the most recent Monthly Financial Statement of the City for the current Fiscal Year, are consistent with such Financial Plan and satisfy the requirements of Section 103(5)(A) of the Guarantee Act. As of the date of this certificate the Board has not requested any further modification of the Financial Plan to enable the Financial Plan, in the judgment of the Board, to comply with the standards of Section 8 of the State Financial Emergency Act or of Section 103 of the Guarantee Act. The amount of expenditures included in the capital budget of the City for Fiscal Years 1979, 1980, 1981 and 1982 in accordance with paragraph (c) of subdivision five of Section 3038 of the Public Authorities Law are and
respectively.
8. The Monthly Financial Statements of the City, which are reflected in the Financial Plan, are based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which are reasonable and appropriate for purposes of financial planning pursuant to the State Financial Emergency Act and the Guarantee Act (including the availability of financing under the Financing Agreement).

9. The most recent Monthly Financial Statements of the City forecast (a) that Total Revenues (as defined in the Bond Purchase Agreement) of the City during the current Fiscal Year will be $ and that the City will not incur a Deficit [or, when applicable, that the City will incur a Deficit in the current Fiscal Year of $ which is equal to \( \% \) of such Total Revenues] (as defined in the Bond Purchase Agreement) in accordance with adjusted GAAP (as defined in the Bond Purchase Agreement) and (b) that actual and anticipated seasonal borrowings of the City during the current Fiscal Year will aggregate $, which is equal to \( \% \) of projected Total Revenues.
10. The most recent Monthly Financial Statement of the City for the current Fiscal Year has been determined by the Board, in its judgment, to be consistent with the Financial Plan. The budgets of the City covering all items other than capital expenditures reflect substantial progress in each Fiscal Year beginning after June 30, 1978, toward achieving a budget covering all expenditures other than capital items prepared and balanced so that the results thereof would not show a deficit when reported in Fiscal Year 1982 and thereafter in accordance with generally accepted accounting principles and each such budget has been prepared and balanced so that the results thereof will not show a deficit when reported in accordance with State law.

IN WITNESS WHEREOF, the undersigned have hereunto set forth their hands this day of , 19 .

The City of New York

By
First Deputy Comptroller

By
Director of Management and Budget

Approved as to form:

Corporation Counsel
EXHIBIT
To The Agreement
To Guarantee

CERTIFICATE OF THE GOVERNOR
AND COMPTROLLER OF THE STATE

the Governor of the State of New York (the
“State”) and

the Comptroller of the State hereby
certify that:

1. Reference is made to that certain Agreement to Guarantee
(the “Agreement”) dated as of October , 1978, by and among the
United States of America (the “United States”), acting by and through
the Secretary of the Treasury (the “Secretary”) with the State of New
York, The City of New York, the New York State Financial Control
Board and the Municipal Assistance Corporation for the City of New
York. Terms which are therein defined are used herein with the same
meanings, except as otherwise provided herein.

2. The State has performed all of its agreements to be performed
on or prior to the date hereof pursuant to the Agreement. Each of the
conditions specified in Section 3 of the Bond Purchase Agreement
applicable to the State or any agency, instrumentality or public benefit
corporation of the State has been satisfied to the date hereof.

3. The representations and warranties of the State in Section 5.3
of the Agreement are true and correct on and as of the date hereof as
if made on and as of the date hereof.

4. No event or condition which constitutes an event of default
under the Agreement with respect to the State or any agency, instrument-
tality, or public benefit corporation, and no event or condition which,
with the passage of time or the giving of notice or both, would con-
stitute such an event of default, has occurred and is continuing.

5. During the period on the date of the Certificate and ending
June 30, 1982, the long-term and seasonal borrowing needs of the City
(other than City indebtedness guaranteed or to be guaranteed under
the Agreement) will be met through commitments from the State, an
agency of the State, private sources or public credit markets, in amounts
which will be sufficient to enable the City after June 30, 1982, to meet
all of its long-term and seasonal borrowing needs through the public
credit markets, assuming the City and the State comply with the provisions of the Guarantee Act applicable to them.

6. In their judgement, the conditions contained in the Financing Agreements applicable to the State or any agency, instrumentality, or public benefit corporation of the State are reasonable and should be satisfied to permit closings thereunder in the future.

IN WITNESS WHEREOF, the undersigned have set forth their hands this day of 19 .

Governor

Comptroller
EXHIBIT
To The Agreement
To Guarantee

CERTIFICATE OF THE MAYOR AND THE
COMPTROLLER OF THE CITY OF NEW YORK

the Mayor of The City of New York (the
“City”) and
the Comptroller of the City
hereby certify that:

1. Reference is made to that certain Agreement to Guarantee
   (the “Agreement”) dated as of October , 1978, by and among the
   United States of America (the “United States”), acting by and through
   the Secretary of the Treasury (the “Secretary”) with the State of New
   York, The City of New York, the New York State Financial Control
   Board and the Municipal Assistance Corporation for the City of New
   York. Terms which are therein defined are used herein with the same
   meanings, except as otherwise provided herein.

2. The City has performed all of its agreements to be performed
   on or prior to the date hereof pursuant to the Agreement, the Bond
   Purchase Agreement and the Adherence Agreement. Each of the Con-
   ditions specified in Section 3 of the Bond Purchase Agreement applicable
   to the City has been satisfied to the date hereof.

3. The representations and warranties of the City in Section 5.3
   of the Agreement and Section 1 of the Adherence Agreement are true
   and correct on and as of the date hereof as if made on and as of the
date hereof.

4. No event or condition which constitutes an event of default
   under the Agreement, and no event or condition which, with the passage
   of time or the giving of notice or both, would constitute such an event
   of default, has occurred and is continuing.

5. During the period on the date of this Certificate and ending
   June 30, 1982, the long-term and seasonal borrowing needs of the
   City (other than City indebtedness guaranteed or to be guaranteed
   under the Agreement) will be met through commitments from the
   State, an agency of the State, private sources or public credit markets,
in amounts which will be sufficient to enable the City after June 30,
1982, to meet all of its long-term and seasonal borrowing needs through
the public credit markets, assuming the City and the State comply with the provisions of the Guarantee Act applicable to them.

6. No Bankruptcy, insolvency or other similar proceedings or moratorium or similar legislation in respect of the City or its obligations is pending or, to the best of my knowledge, contemplated.

7. The Official Statement of the City does not contain any untrue statement of a material fact with respect to the City or omit any statement of such a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

8. In their judgement, the conditions contained in the Financing Agreements applicable to the City are reasonable and should be satisfied to permit closings thereunder in the future.

9. The Board approved a Financial Plan on covering the current Fiscal Year and the next succeeding three Fiscal Years and modifications thereto on . The Financial Plan is consistent with the applicable provisions of Section 8 of the State Financial Emergency Act and Sections 103(5)(B) and 103(5)(c) of the Guarantee Act. The budgets of the City for the current Fiscal Year covering all expenditures other than capital items are consistent with such Financial Plan and satisfy the requirements of Section 103(5)(A) of the Guarantee Act. As of the date of this certificate no modification of the Financial Plan is required to comply with the standards of Section 8 of the State Financial Emergency Act or of Section 103 of the Guarantee Act. The amount of expenditures included in the capital budget of the City for Fiscal Years 1979, 1980, 1981 and 1982 in accordance with paragraph (c) of subdivision five of Section 3038 of the Public Authorities Law are and , respectively.

10. The Financial Plan and the budgets of the City reflected therein are based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which are reasonable and appropriate (including the availability of financing under the Financing Agreement).

11. The Financial Plan currently projects (a) that Total Revenues (as defined in the Bond Purchase Agreement) of the City during the current Fiscal Year will be $ and that the City will not incur a Deficit (as defined in the Bond Purchase Agreement) in accordance with adjusted GAAP (as defined in the Bond Purchase Agreement) and (b) that actual and anticipated seasonal borrowings of the City during
the current Fiscal Year will aggregate $ , which is equal to % of projected Total Revenues.

12. The budgets of the City for the current Fiscal Year covering all items other than capital expenditures are consistent with the Financial Plan and reflect substantial progress in each Fiscal Year beginning after June 30, 1978, toward achieving a budget covering all expenditures other than capital items prepared and balanced so that the results thereof would not show a deficit when reported in Fiscal Year 1982 and thereafter in accordance with generally accepted accounting principles and each such budget has been prepared and balanced so that the results thereof will not show a deficit when reported in accordance with State law.

IN WITNESS WHEREOF, the undersigned have hereunto set forth their hands this day of , 19 .

..............................
Mayor

..............................
Comptroller
EXHIBIT
To The Agreement
To Guarantee

CERTIFICATE OF THE CHAIRMAN OF THE MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

, the Chairman of the Municipal Assistance Corporation for the City of New York (the "Corporation") hereby certifies that:

1. Reference is made to that certain Agreement to Guarantee (the "Agreement") dated as of October 1, 1978, by and among the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary") with the State of New York, The City of New York, the New York State Financial Control Board and the Municipal Assistance Corporation for the City of New York. Terms which are therein defined are used herein with the same meanings, except as otherwise provided herein.

2. MAC has performed all of its agreements to be performed on or prior to the date hereof pursuant to the Agreement and the Bond Purchase Agreement. Each of the conditions specified in Section 3 of the Bond Purchase Agreement applicable to MAC has been satisfied to the date hereof.

3. The representations and warranties of MAC in Section 5.3 of the Agreement and Section 2 of the Bond Purchase Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof.

4. No event or condition which constitutes an event of default under the Agreement with respect to MAC, and no event or condition which, with the passage of time or the giving of notice or both, would constitute such an event of default, has occurred and is continuing.

5. During the period on the date of this Certificate and ending June 30, 1982, the long-term and seasonal borrowing needs of the City (other than City indebtedness guaranteed or to be guaranteed under the Agreement) will be met through commitments from the State, an agency of the State private sources or public credit markets, in amounts which will be sufficient to enable the City after June 30, 1982, to meet all of its long-term and seasonal borrowing needs through the public credit markets, assuming the City and the State comply with the provisions of the Guarantee Act applicable to them.
6. No Bankruptcy, insolvency or other similar proceedings or moratorium or similar legislation in respect of the Corporation or its obligations is pending or, to the best of my knowledge, contemplated.

7. The Official Statement of the City does not contain any untrue statement of a material fact with respect to MAC or omit any statement of such a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

8. In his judgement, the conditions contained in the Financing Agreement are reasonable and should be satisfied as required to permit closings to occur thereunder in the future.

IN WITNESS WHEREOF, I have set forth my hand this day of 19. 

Chairman of the Municipal Assistance Corporation For the City of New York
Memorandum

TO: Messrs. Schwartz, Bender, Hopkins, Berger and Ms. Griffith, Altman, Friedman and Siegel


DATE: October 23, 1978

SUBJECT:

Attached please find a first draft of the Certificates to be delivered pursuant to sections 3.1.4 and 3.1.5 of the Agreement to Guarantee. These drafts are being distributed only to those persons named above in addition to various Treasury officials.

Attachment
EXHIBIT
To The Agreement
To Guarantee

CERTIFICATE OF THE GOVERNOR
AND COMPTROLLER OF THE STATE

the Governor of the State of New York (the "State") and
the Comptroller of the State hereby certify that:

1. Reference is made to that certain Agreement to Guarantee (the "Agreement") dated as of October 24, 1978, by and among the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary") with the State of New York, The City of New York, the New York State Financial Control Board and the Municipal Assistance Corporation for the City of New York. Terms which are therein defined are used herein with the same meanings, except as otherwise provided herein.

2. The State has performed all of its agreements to be performed on or prior to the date hereof pursuant to the Agreement. Each of the conditions specified in Section 3 of the Bond Purchase Agreement applicable to the State or any agency, instrumentality or public benefit corporation of the State has been satisfied to the date hereof.

3. The representations and warranties of the State in Section 5.3 of the Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof.

4. No event or condition which constitutes an event of default under the Agreement with respect to the State or any agency, instrumentality, or public benefit corporation, and no event or condition which, with the passage of time or the giving of notice or both, would constitute such an event of default, has occurred and is continuing.

5. During the period on the date of the Certificate and ending June 30, 1982, the long-term and seasonal borrowing needs of the City (other than City indebtedness guaranteed or to be guaranteed under the Agreement) will be met through commitments from the State, an agency of the State, private sources or public credit markets, in amounts which will be sufficient to enable the City after June 30, 1982, to meet all of its long-term and seasonal borrowing needs through the public

What is the financial advisor providing on this?
credit markets, assuming the City and the State comply with the provisions of the Guarantee Act applicable to them.

6. In their judgement, the conditions contained in the Financing Agreements applicable to the State or any agency, instrumentality, or public benefit corporation of the State are reasonable and should be satisfied to permit closings thereunder in the future.

IN WITNESS WHEREOF, the undersigned have set forth their hands this day of , 19 .

.................................
Governor

.................................
Comptroller
EXHIBIT
To The Agreement
To Guarantee

CERTIFICATE OF THE MAYOR AND THE
COMPTROLLER OF THE CITY OF NEW YORK

the Mayor of The City of New York (the
"City") and
the Comptroller of the City
hereby certify that:

1. Reference is made to that certain Agreement to Guarantee
(the "Agreement") dated as of October 1, 1978, by and among the
United States of America (the "United States"), acting by and through
the Secretary of the Treasury (the "Secretary") with the State of New
York, The City of New York, the New York State Financial Control
Board and the Municipal Assistance Corporation for the City of New
York. Terms which are therein defined are used herein with the same
meanings, except as otherwise provided herein.

2. The City has performed all of its agreements to be performed
on or prior to the date hereof pursuant to the Agreement, the Bond
Purchase Agreement and the Adherence Agreement. Each of the Con-
ditions specified in Section 3 of the Bond Purchase Agreement applicable
to the City has been satisfied to the date hereof.

3. The representations and warranties of the City in Section 5.3
of the Agreement and Section 1 of the Adherence Agreement are true
and correct on and as of the date hereof as if made on and as of the
date hereof.

4. No event or condition which constitutes an event of default
under the Agreement, and no event or condition which, with the passage
of time or the giving of notice or both, would constitute such an event
of default, has occurred and is continuing.

5. During the period on the date of this Certificate and ending
June 30, 1982, the long-term and seasonal borrowing needs of the
City (other than City indebtedness guaranteed or to be guaranteed
under the Agreement) will be met through commitments from the
State, an agency of the State, private sources or public credit markets,
in amounts which will be sufficient to enable the City after June 30,
1982, to meet all of its long-term and seasonal borrowing needs through

[Signature]
the public credit markets, assuming the City and the State comply with the provisions of the Guarantee Act applicable to them.

6. No Bankruptcy, insolvency or other similar proceedings or moratorium or similar legislation in respect of the City or its obligations is pending or, to the best of my knowledge, contemplated.

7. The Official Statement of the City does not contain any untrue statement of a material fact with respect to the City or omit any statement of such a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

8. In their judgement, the conditions contained in the Financing Agreements applicable to the City are reasonable and should be satisfied to permit closings thereunder in the future.

9. The Board approved a Financial Plan on covering the current Fiscal Year and the next succeeding three Fiscal Years and modifications thereto on and

The Financial Plan is consistent with the applicable provisions of Section 8 of the State Financial Emergency Act and Sections 103(5)(B) and 103(5)(c) of the Guarantee Act. The budgets of the City for the current Fiscal Year covering all expenditures other than capital items are consistent with such Financial Plan and satisfy the requirements of Section 103(5)(A) of the Guarantee Act. As of the date of this certificate no modification of the Financial Plan is required to comply with the standards of Section 8 of the State Financial Emergency Act or of Section 103 of the Guarantee Act. The amount of expenditures included in the budgets of the City for Fiscal Years 1979, 1980, 1981 and 1982 in accordance with paragraph (c) of subdivision five of Section 3038 of the Public Authorities Law are

and

respectively.

10. The Financial Plan and the budgets of the City reflected therein are based on certain assumptions and methods of estimation concerning revenues, expenditures, cash flow and other matters which are reasonable and appropriate (including the availability of financing under the Financing Agreement).

11. The Financial Plan currently projects (a) that Total Revenues (as defined in the Bond Purchase Agreement) of the City during the current Fiscal Year will be $ and that the City will not incur a Deficit (as defined in the Bond Purchase Agreement) in accordance with adjusted GAAP (as defined in the Bond Purchase Agreement) and (b) that actual and anticipated seasonal borrowings of the City during
3

the current Fiscal Year will aggregate $ , which is equal to % of projected Total Revenues.

12. The budgets of the City for the current Fiscal Year covering all items other than capital expenditures are consistent with the Financial Plan and reflect substantial progress in each Fiscal Year beginning after June 30, 1978, toward achieving a budget covering all expenditures other than capital items prepared and balanced so that the results thereof would not show a deficit when reported in Fiscal Year 1982 and thereafter in accordance with generally accepted accounting principles and each such budget has been prepared and balanced so that the results thereof will not show a deficit when reported in accordance with State law.

In Witness Whereof, the undersigned have hereunto set forth their hands this day of , 19 .

..........................
Mayor

..........................
Comptroller
EXHIBIT
To The Agreement
To Guarantee

CERTIFICATE OF THE CHAIRMAN OF THE MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

, the Chairman of the Municipal Assistance Corporation for the City of New York (the “Corporation”) hereby certifies that:

1. Reference is made to that certain Agreement to Guarantee (the “Agreement”) dated as of October 1978, by and among the United States of America (the “United States”), acting by and through the Secretary of the Treasury (the “Secretary”) with the State of New York, The City of New York, the New York State Financial Control Board and the Municipal Assistance Corporation for the City of New York. Terms which are therein defined are used herein with the same meanings, except as otherwise provided herein.

2. MAC has performed all of its agreements to be performed on or prior to the date hereof pursuant to the Agreement and the Bond Purchase Agreement. Each of the conditions specified in Section 3 of the Bond Purchase Agreement applicable to MAC has been satisfied to the date hereof.

3. The representations and warranties of MAC in Section 5.3 of the Agreement and Section 2 of the Bond Purchase Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof.

4. No event or condition which constitutes an event of default under the Agreement with respect to MAC, and no event or condition which, with the passage of time or the giving of notice or both, would constitute such an event of default, has occurred and is continuing.

5. During the period on the date of this Certificate and ending June 30, 1982, the long-term and seasonal borrowing needs of the City (other than City indebtedness guaranteed or to be guaranteed under the Agreement) will be met through commitments from the State, an agency of the State private sources or public credit markets, in amounts which will be sufficient to enable the City after June 30, 1982, to meet all of its long-term and seasonal borrowing needs through the public credit markets, assuming the City and the State comply with the provisions of the Guarantee Act applicable to them.
6. No Bankruptcy, insolvency or other similar proceedings or moratorium or similar legislation in respect of the Corporation or its obligations is pending or, to the best of my knowledge, contemplated.

7. The Official Statement of the City does not contain any untrue statement of a material fact with respect to MAC or omit any statement of such a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

8. In his judgement, the conditions contained in the Financing Agreement are reasonable and should be satisfied as required to permit closings to occur thereunder in the future.

In Witness Whereof, I have set forth my hand this day of , 19 .

Chairman of the
Municipal Assistance Corporation
For the City of New York
September 27, 1978

Marilyn Friedman, Esq.
Counsel to MAC
Two World Trade Center
New York, N.Y. 10047

Dear Marilyn:

Last week I drafted the enclosed substituted text for §6.18 of the guarantee agreement, which is now under consideration by Luke Lynch. At the same time I transmitted to Albany the amendment to the bill which would provide a back-up for the second sentence of the substitute text, but I have just learned that under the general pressure of events, the amendment did not get into the bill which is now being printed.

As you will see, this is a matter primarily of concern to MAC and the Treasury. Since you are in a better position than we are to judge its importance, I am leaving it to you to pursue, in your discretion.

Best regards,

Sincerely,

LOUIS J. LEFKOWITZ
Attorney General

By: [Signature]

SHIRLEY ADELSON SIEGEL
MUNICIPAL ASSISTANCE CORPORATION
For The City of New York

MEMORANDUM

Date: 14 September 1978

To: Ms's. S. Altman, J. Coon, J. Griffith, K. Eisenstadt
    Messrs. J. Bender, J. Bigel, M. Lawton, M. Nadel,
    M. Page, R. Pyle, B. Scott, H. Langlitz

From: Marilyn F. Friedman

Re: Federal Guarantee

Enclosed for review and comment are drafts of the following documents:

1. Agreement among the federal government, the state, the city and MAC pursuant to which the federal government agrees to guarantee city bonds, including form of guarantee.

2. Term sheet for guaranteed bonds.

A meeting has been scheduled for Tuesday, September 19, at 10 A.M. at Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, Room 2811 to review the terms of these documents, preparatory to meetings later in the week by the pension fund boards. We respectfully request your attendance at this meeting, with your comments (and proposed language changes, if any).
MEMORANDUM

Date: 12 September 1978

To: Messrs. Allen Brawer, Irving Jacobson, George Lander, Frank Grady and Dr. Harold Langlitz

From: Marilyn F. Friedman, Counsel

Re: Federal Guarantee of City Bonds

Attached for your review and comment is a preliminary draft of a form of guarantee prepared by Treasury. It is hoped that this draft will form the basis for discussions to be held with the prospective purchasers of guaranteed City bonds during the remainder of this week.
GUARANTEE, dated ______________, 19__, made by the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the Secretary) in favor of __________________________ (the "Purchaser").

The United States hereby unconditionally guarantees the punctual payment when due of principal and interest on those certain Bonds (the "Guaranteed Bonds") of The City of New York (the "City"), serial numbers ___________ in the aggregate principal amount of ________ maturing _______________ and which are registered in the name of the Purchaser. Payments by the United States hereunder shall be made in federal funds at the Federal Reserve Bank of New York as provided below.

In consideration of the foregoing, the Purchaser hereby agrees:

1. To give written or telegraphic notice to the Secretary within two business days of any failure of the City to pay principal or interest when due on the Guaranteed Bonds. Such notices will be given when received by the Secretary at United States Department of the Treasury, 15th and Pennsylvania Avenue, N.W., Washington, D.C. 20220, Attention: Secretary of the Treasury, with a copy to the General Counsel of the Treasury.
2. Not to demand payment from the United States hereunder unless at least five days shall have elapsed from the date the City has defaulted in payment of principal and/or interest on the Guaranteed Bonds and such default has not been remedied by the City, the Municipal Assistance Corporation for the City of New York ("MAC"), the State of New York (the "State") or any other party.

3. Not to institute legal proceedings against the City for the payment of principal and/or interest on any Guaranteed Bond or exercise any of its remedies pursuant to the Guaranteed Bond without the advance written consent of the Secretary unless the United States has failed to make a payment under this Guarantee in accordance with the terms hereof.

4. Upon the making of any payment hereunder, the United States shall be subrogated to all the rights of the Purchaser with respect to the amounts of principal and/or interest for which payment has been made under this Guarantee. Any amounts received by the Purchaser with respect to principal or interest for which payment has been made under this Guarantee shall be promptly paid over to the Secretary.

5. So long as an event of default (as defined in the Agreement to Guarantee dated as of September 15, 1978 among the United States, the City, the State, MAC and the LPCB) has occurred and is continuing, the United States may from time to time purchase one or more of the Guaranteed Bonds for an amount equal to the unpaid principal amount thereof and accrued interest thereon to the date of payment upon not less
than five days written notice given to the Purchaser at the
address set forth below beneath its signature. Payment of
such amount shall be made in Federal Funds at the Federal
Reserve Bank of New York on the date specified in the Notice.

6. The obligations of the Purchaser under the Financing
Agreement (the "Financing Agreement") dated as of September ___,
1978 among the City, MAC, the purchaser and certain other parties
shall be enforceable by the Secretary and the Secretary may
institute legal proceedings to enforce such obligations in any
United States District Court located in the State of New York
or Washington, D.C. or in the Courts of the State of New York.
In addition to other methods permitted under applicable law,
process may be served on the Purchaser by registered mail to
the addresses set forth below beneath its signature.

7. No amendment, renewal or extension of any Guaranteed
Bond or any modification or waiver of any right of the Purchaser
thereunder nor any modification, amendment, consent, or waiver
of any provision of the Financing Agreement may be given by
the Purchaser without the prior written consent of the Secretary.

8. No claim of waiver, modification, consent or acquiescence
with respect to any of the provisions of this Guarantee shall
be made against the United States except on the basis of a
written instrument signed by the Secretary.
Payments under this Guarantee shall be made upon presentation of the Guaranteed Bond to the United States, c/o the Federal Reserve Bank of New York, Department together with a certificate signed by the Purchaser stating that the Guaranteed Bond with respect to which demand is made for payment has not been sold or otherwise disposed of by the Purchaser (other than to a successor in interest not involving a change in beneficial ownership) and assigning to the Secretary all of its rights, title and interest in and to the Guaranteed Bond with respect to the payments of principal and/or interest for which payment is made under this Guarantee. In the case of payments with respect to principal, interest shall be paid on such principal at the rate provided in the Guaranteed Bond until the date of payment under this Guarantee but in no event beyond the thirtieth day after the date payment on the Guaranteed Bond was due without the prior written consent of the Secretary and the Guaranteed Bond shall be tendered to the United States.

This Guarantee shall automatically terminate with respect to any Guaranteed Bond which is sold or otherwise disposed of by the Purchaser (other than to a successor in interest not involving a change in beneficial ownership).

The obligations of the United States hereunder shall be absolute and unconditional irrespective of the validity, legality or enforceability of the Agreement to Guarantee, the Guaranteed Bonds or the Financing Agreement or any other
circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantee.

The validity of this Guarantee shall be incontestable in the hands of the Purchaser, except for fraud or material misrepresentation on the part of the Purchaser. The United States hereby waives presentment, demand, protest, and promptness in making any claim or demand hereunder.

IN WITNESS WHEREOF, the Secretary on behalf of the United States and the Purchasers have signed this Guarantee, on the date first above written.

UNITED STATES OF AMERICA

[Address]

By Secretary of the Treasury
Coupon Rate Setting Mechanism for City Bonds
Sold to the Pension Funds

The coupon rates for each serial bond of a series to be purchased by the Pension Funds pursuant to the Agreement will be set by reference to the closing prices of United States Treasury Notes or Bonds of similar maturities two business days prior to the closing. The closing prices will be determined by:

1) reference to the Wall Street Journal (or any other publication of general distribution agreeable to the parties) of the business day prior to the closing which displays closing prices and yield to maturities (or call dates if appropriate) (in either case referred to as the "yields") as provided by the Federal Reserve Bank of New York for the day two business days prior to the closing.

2) identifying bonds of similar maturity to be determined under part (a) of this section (excluding bonds determined under part (c)) with average yields determined under part (b) of this section and assigning the average yield rounded up to the nearest .05% to the serial bond to be issued.
(a) Bonds of similar maturity will be either:
   (i) U.S. Treasury Notes or Bonds whose redemption date or first call date
       coincides precisely with the redemption date of the serial bond to be issued; or
   (ii) the two U.S. Treasury Notes or Bonds whose redemption date or first call dates
       are immediately prior to and immediately following the redemption date of the
       serial bond to be issued.

(b) The average yield will be determined by either
   (i) in the case of bonds of similar maturity determined in part (a)(i) above, the average yields
       will be the yield to maturity as reported for the bond or note.
   (ii) in the case of bonds determined under part (a)(ii) above, the average yield will be the arithmetic mean of the yields displayed for the bond or notes immediately preceding and immediately following maturity of the serial bond to be issued.

(c) for purposes of part (a) above, Treasury Bonds or Notes having low coupon rates and generally known as "flower bonds" will not be considered.
Summary of Terms Relating to Pension Fund Purchases of Guaranteed City Bonds

Issuer: City of New York
Security: Full Faith and Credit Guarantee of the United States (1)
Commitment Period: September 28, 1979 to June 30, 1982
Maturity: 15 years (2); 8.5 years avg. life
Firm Commitments:
   FY 1979 - $500 million
   FY 1980 - $250 million
   FY 1981 - $300 million
   FY 1982 - $600 million
Stand-by Commitments:
   50% by City Pension Funds and 50% by State Pension Funds with commitment of State Funds to be approximately 50% for State Employees Fund and 50% for State Teachers' Fund.
Participation: Serial Bonds
   Par
Form:
Issue Price:
Coupon: 25 basis points over yield of United States Treasury bonds with comparable maturity; interest payable semi-annually, beginning up to six months after issuance.
Principal Repayment:
   Principal repayments to begin no later than 18 months after issuance with no principal repayment to exceed 50% of smallest repayment (See attached schedule for sample repayment schedules).
Optional Call: Callable at par plus accrued interest at any time, in whole or in part, on thirty days notice.
Treasury Purchase:
   At any time after the occurrence of an event of default, the United States may purchase the guaranteed bonds at par plus accrued interest in whole on four days notice.

Notes:
(1) Guarantee expires upon sale of bonds by pension fund purchaser or purchaser's successor.
(2) Maturity of FY 1979 take-down; future take-downs subject to discussion with Treasury.
General:
   FY refers to city fiscal year, ending June 30.
## Constrained Level Debt Service on Issuances of $500 Million
($'s in Millions)

<table>
<thead>
<tr>
<th>FY</th>
<th>Principal</th>
<th>Int.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$</td>
<td>$21.3</td>
<td>$21.3</td>
</tr>
<tr>
<td>1980</td>
<td>20.6</td>
<td>42.5</td>
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<tr>
<td>1981</td>
<td>29.6</td>
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<td>1982</td>
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<td>37.5</td>
<td>68.3</td>
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<td>31.9</td>
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<tr>
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<td>63.5</td>
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<td>36.3</td>
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<td>1994</td>
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<td></td>
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<tr>
<td></td>
<td><strong>$499.9</strong></td>
<td><strong>$261.2</strong></td>
<td><strong>$861.1</strong></td>
</tr>
</tbody>
</table>

### Assumptions:

2. First redemption payment 18 months after issuance.
3. Interest rate of 8.5%.
4. 14 payments.
5. FY refers to City fiscal year, ending June 30.
GUARANTEE, dated ______________, 19__, made by The United States of America (The "United States"), acting by and through the Secretary of the Treasury (the Secretary) in favor of __________________________________________ (the "Purchaser").

The United States hereby unconditionally guarantees the punctual payment when due of principal and interest on those certain Bonds (the "Guaranteed Bonds") of the City of New York (the "City"), serial numbers ________________ in the aggregate principal amount of ________________ maturing ________________ and which are registered in the name of the Purchaser. Payments by the United States hereunder shall be made in federal funds at the Federal Reserve Bank of New York as provided below.

In consideration of the foregoing, the Purchaser hereby agrees:

1. To give written or telegraphic notice to the Secretary within two business days of any failure of the City to pay principal or interest when due on the Guaranteed Bonds. Such notices will be given when received by the Secretary at United States Department of the Treasury, 15th and Pennsylvania Avenue, N.W., Washington, D.C. 20229, Attention: Secretary of the Treasury, with a copy to the General Counsel of the Treasury.
2. Not to demand payment from the United States hereunder unless at least five days shall have elapsed from the date the City has defaulted in payment of principal and/or interest on the Guaranteed Bonds and such default has not been remedied by the City, the Municipal Assistance Corporation for the City of New York ("MAC"), the State of New York (the "State") or any other party.

3. Not to institute legal proceedings against the City for the payment of principal and/or interest on any Guaranteed Bond or exercise any of its remedies pursuant to the Guaranteed Bond without the advance written consent of the Secretary unless the United States has failed to make a payment under this Guarantee in accordance with the terms hereof.

4. Upon the making of any payment hereunder, the United States shall be subrogated to all the rights of the Purchaser with respect to the amounts of principal and/or interest for which payment has been made under this Guarantee. Any amounts received by the Purchaser with respect to principal or interest for which payment has been made under this Guarantee shall be promptly paid over to the Secretary.

5. So long as an event of default (as defined in the Agreement to Guarantee dated as of September 2, 1976 among the United States, the City, the State, MAC and the RFCR) has occurred and is continuing, the United States may from time to time purchase one or more of the Guaranteed Bonds for an amount equal to the unpaid principal amount thereof and accrued interest thereon to the date of payment upon not less
than five days written notice given to the Purchaser at the
address set forth below beneath its signature. Payment of
such amount shall be made in federal funds at the Federal
Reserve Bank of New York on the date specified in the Notice.

6. The obligations of the Purchaser under the Financing
Agreement (the "Financing Agreement") dated as of September
1978 among the City, MAC, the Purchaser and certain other parties
shall be enforceable by the Secretary and the Secretary may
institute legal proceedings to enforce such obligations in any
United States District Court located in the State of New York
or Washington, D.C., or in the Courts of the State of New York.
In addition to other methods permitted under applicable law,
process may be served on the Purchaser by registered mail to
the addresses set forth below beneath its signature.

7. No amendment, renewal or extension of any Guaranteed
Bond or any modification or waiver of any right of the Purchaser
thereunder nor any modification, amendment, consent, or waiver
of any provision of the Financing Agreement may be given by
the Purchaser without the prior written consent of the Secretary.

8. No claim of waiver, modification, consent or acquiescence
with respect to any of the provisions of this Guarantee shall
be made against the United States except on the basis of a
written instrument signed by the Secretary.
Payments under this Guarantee shall be made upon presentment of the Guaranteed Bond to the United States, c/o the Federal Reserve Bank of New York, Department together with a certificate signed by the Purchaser stating that the Guaranteed Bond with respect to which demand is made for payment has not been sold or otherwise disposed of by the Purchaser (other than to a successor in interest not involving a change in beneficial ownership) and assigning to the Secretary all of its rights, title and interest in and to the Guaranteed Bond with respect to the payments of principal and/or interest for which payment is made under this Guarantee. In the case of payments with respect to principal, interest shall be paid on such principal at the rate provided in the Guaranteed Bond until the date of payment under this Guarantee but in no event beyond the thirtieth day after the date payment on the Guaranteed Bond was due without the prior written consent of the Secretary and the Guaranteed Bond shall be tendered to the United States.

This Guarantee shall automatically terminate with respect to any Guaranteed Bond which is sold or otherwise disposed of by the Purchaser (other than to a successor in interest not involving a change in beneficial ownership).

The obligations of the United States hereunder shall be absolute and unconditional irrespective of the validity, legality or enforceability of the Agreement to Guarantee, the Guaranteed Bonds or the Financing Agreement or any other
circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantee.

The validity of this Guarantee shall be incontestable in the hands of the Purchaser, except for fraud or material misrepresentation on the part of the Purchaser. The United States hereby waives presentment, demand, protest, and promptness in making any claim or demand hereunder.

In witness whereof, the Secretary on behalf of the United States and the Purchasers have signed this Guarantee, on the date first above written.

UNITED STATES OF AMERICA

[Purchaser] By Secretary of the Treasury

[Address]
Revised
Preliminary Draft

Federal Guarantees --
Summary of Terms

I. Amount, Term, Interest Rate, Guarantee, etc.

A. Amount Per Year

1. Committed Guarantees
   Fiscal 1979
   ($250 million to the New York City Pension Funds
   ($250 million to the New York State Pension Funds

2. Committed Guarantees
   Fiscal 1980
   ($125 million to the New York City Pension Funds
   ($125 million to the New York Pension Funds

3. Standby Guarantees
   Fiscal 1981
   ($150 million to the New York City Pension Funds
   ($150 million to the New York State Pension Fund

4. Standby Guarantees
   Fiscal 1982
   ($300 million to the New York City Pension Funds
   ($300 million to the New York State Pension Funds

B. Term of Guaranteed Bonds - issued by the City

1. Committed Guarantees - Fiscal 1979
   15 years -- substantially equal repayments of principal

2. Committed Guarantee - Fiscal 1980
   14 years -- substantially equal repayments of principal

3. Standby Guarantees - 7 years -- substantially equal repayments of principal*

* City to produce information as to bonding capacity.
C. Interest Rate

Formula to come

D. Guarantee Fee

$1/2 of 1\%$ per annum subject to the right of the Secretary periodically to escalate such fee from time to time in increments of $1/2 of 1\%$ to induce the City to refund the guaranteed indebtedness in amounts greater than required pursuant to III.10.

E. Call Provisions on Guaranteed Bonds

Prepayable at par at any time without premium or penalty in whole or in part in inverse order of maturities - guaranteed bonds considered to be one series for purpose of prepayments and refunding provisions.

F. Conditions to Demand Payment Under Guarantee

City has failed to pay scheduled payment of principal or interest and failure has continued unremedied for 5 consecutive business days without cure from the City, the State or an agency of the State. Holder must give notice to Federal government of any such default within 2 business days thereof and take no legal action without the consent of the Secretary to enforce its rights to payment during the period prior to payment by the United States. Payment will be made in Federal funds at the Federal Reserve Bank of New York. The Pension Funds will agree that upon payment under the guarantees, the United States shall become subrogated to the rights of the Pension Funds with respect to amounts in default - bonds and interest coupons are to be tendered to the United States to the extent payments are made under the guarantee.
G. Reduction in Amount of Guarantee

The amount of guarantees remaining to be issued by the United States to any Pension Fund shall be reduced by the amount of any commitment such Pension Fund has failed to provide under the terms and conditions of the financing agreement for more than thirty days after the scheduled closing date for such commitment thereunder. The Pension Fund will remain obligated to purchase City bonds without the benefit of the guarantee.

H. Right of the United States to Purchase Guaranteed Bonds.

At any time after the occurrence of an event of default, the United States may purchase the guaranteed bonds owned by any Pension Fund upon 5 days' notice, upon payment of an amount equal to principal and accrued interest to the date of such purchase.

I. Consent to Suit

The Pension Funds will consent to suit by the United States with respect to their obligations under the guarantees and the financing agreement.

J. Parties

The United States, the City, the State, MAC and the EFCB shall be parties to the agreement to guarantee. The United States and the Pension Funds shall be parties to the guarantee.
II. Conditions to Each Issuance of Guarantee

1. The conditions required in the Federal guarantee legislation shall have been complied with to the satisfaction of the Secretary and the Secretary shall have made the determinations required by Section 103 of such legislation. As to the availability of credit and market access tests of Section 103(2) and 103(4), the City shall provide the Secretary with a satisfactory opinion of an investment banking firm of national reputation satisfactory to the Secretary. The City and the EFCB shall provide the Secretary with a certification as to the City's compliance with budgetary requirements of Section 103(5). The productivity council and the audit committee shall have been established prior to the first issuance of guarantees.

2. No event of default or event which the passage of time or giving of notice or both would constitute an event of default shall have occurred and be continuing, the representations and warranties made in the agreement to guarantee shall be true and correct on and as of such date and the Secretary shall have received a certificate to such effect from the City, the State, MAC and the EFCB.

3. The Secretary shall be a party to the financing agreement, and all terms and conditions of the financing agreement shall be satisfactory to, and enforceable by the Secretary. Such terms and conditions shall have been complied with (subject
to the right of the Secretary to reduce the amount of the guarantees under I.F. above) and the parties thereto shall have fulfilled their commitments as scheduled to the satisfaction of the Secretary. The financing agreement shall provide for commitments to purchase long-term MAC and City bonds substantially as shown on Table 1 and shall provide for seasonal commitments substantially as shown on Table 2. Each scheduled takedown of long-term securities by the purchasers will be accompanied by a takedown of guaranteed securities during fiscal 1979 and fiscal 1980. The purchasers shall agree to hold the MAC bonds for a period of 60 days after the purchase thereof. The financing agreement shall further provide that no amendments or modifications may be made without the consent of the Secretary.

4. The New York State legislature shall have enacted legislation satisfactory to the Secretary as to the matters described in Table 3 hereto.

5. All instruments, legal proceedings and opinions of counsel in connection with the execution, delivery and performance of the agreement to guarantee, the guaranteed bonds, the financing agreement and all transactions completed thereby shall be in form and substance satisfactory to the Secretary and the Secretary shall have received copies of all steps taken in connection therewith. All consents, approvals and authorizations of any governmental body necessary or appropriate in connection with any of the foregoing shall have been obtained and shall be in full force and effect.
6. The Secretary shall have received a satisfactory, favorable opinion of independent bond counsel to the City as to the validity and enforceability of the EFCB legislation, the State covenants, the agreement to guarantee and the guaranteed bonds and as to the proper authorization, execution and delivery thereof; as to the pledge of the faith and credit of the City to the repayment of such bonds and amounts payable under the agreement to guarantee; as to the non-violation of any other applicable laws; the creation of the funds (including the MAC reserve fund) for repayment of the guaranteed bonds and the pledge of any monies contained therein to the repayment of the guaranteed bonds; as to the validity and enforceability of the covenants and the MAC Reserve Fund, and as to such other matters as the Secretary shall request. The opinions shall cover the EFCB, the City and MAC as appropriate.

7. The Secretary shall have received a satisfactory, favorable opinion of Corporation Counsel to the City as to the validity and enforceability of the EFCB legislation, the agreement to guarantee and the guaranteed bonds and the proper authorization, execution and delivery thereof; as to the non-violation of laws and agreements by which the City is bound; as to the absence of material litigation, except as otherwise disclosed; and as to such other matters as the Secretary shall request.

8. The Secretary shall have received a satisfactory favorable opinion of the Attorney General of the State as to the validity
and enforceability of the EFCB legislation, the State covenants
and the agreement to guarantee with respect to the State, the
EFCB and MAC; and as to such other matters as the Secretary
shall request.
9. The Secretary shall have received an Official Statement
descrining the bonds to be guaranteed.
10. The Pension Funds shall have completed the investments
contemplated by the amended and related agreement.
11. The Secretary shall have obtained the required authority
to issue such guarantees in an appropriations bill and such
authority and the guarantee legislation shall be in full force
and effect. In the case of guarantees to be issued after
June 30, 1979, there shall have been no one house veto. In
the case of guarantees to be issued after June 30, 1981, the
Secretary shall have determined that the City shall have
presented a balanced budget which has been approved by the
EFCB.
12. The Secretary shall have made all findings required by
P.L. 94-236, as amended.
13. The issuance of the standby guarantees shall be subject
to compliance of such other terms and conditions as the Secre-
tary shall deem appropriate, including the inability of MAC
or the City to sell bonds in the public or private market.
14. MAC will surrender for cancellation all City notes held
by it on June 30, 1978, except for those BANs subject to the
agreement referred to in Section V.2 hereof.
III. **City Covenants**

1. Each bond guaranteed and all obligations under the agreement to guarantee will be general obligations of the City and the faith and credit of the City shall be pledged to the payment of principal and interest on each guaranteed bond and to the payments of amounts payable under the agreement to guarantee, including the guarantee fee. The City covenants to make all payments on such bonds and under the agreement to guarantee when due. Interest on the guaranteed bonds will be payable at the coupon rate until payment in full. Upon payment under any guarantee, the Treasury shall be subrogated to all rights of the holder of the guaranteed bonds with respect to obligations for which payments were made under such guarantee.

2. The City will comply with the provisions of the EFCB legislation, (including Sections 9-a and 9-b of the EFCB Act as currently in effect), the borrowing laws of the State, the MAC Act and the financial plan then in effect. The City will deposit such funds in the debt service account in such amounts as shall be certified by the State Comptroller as necessary to make payments when due of principal and interest on outstanding bonds or notes. Such deposits shall be made on or before the fifth business day preceding the date such payment is due. The City will give the Secretary advance written notice of any modification in the financial plan.
3. No liens or special accounts will be created for the prepayment of indebtedness except for those provided in, or contemplated by, the EFCB legislation.

4. The General Accounting Office and any representative of the Secretary will be authorized to conduct such audits of the City and the covered organizations, to receive and review such financial information and to make such copies thereof as either may deem appropriate from time to time. The City and the covered organization will provide such additional information as the Secretary or the General Accounting Office shall request.

5. The City shall provide the following reports:

a. Within thirty days of the end of each month, certificates, approved by the EFCB, certifying as to changes in the financial plan and as to litigation challenging the validity of EFCB legislation, the agreement to guarantee, any guarantee or the financial plan.

b. Within thirty days of the end of each month, a financial plan statement for the City and the covered organizations showing the financial plan summary, the changes in fiscal year forecast, and the revenues, obligations and unrestricted cash flow on a monthly and year-to-year basis together with comparative figures for the preceding fiscal year.
and a description of any deviations from the financial plan during such month and any action taken to correct such deviations. Quarterly statements shall include a listing of Federal receivables by agency. Each statement shall be approved by the EFCB and quarterly statements shall be reviewed by the audit committee and reviewed and commented upon by the independent public accountants for the City.

c. Within 120 days of the end of each fiscal year, an annual audit report certified by the independent public accountants for the City (as required by the Federal guarantee legislation) and an annual audit report certified by the independent public accountants for such of the covered organizations as the Secretary shall deem material (including Health and Hospitals Corporation, the Transit Authority and the Board of Education). Each audit report shall show any deviations from GAAP and shall be accompanied by a report as to the adequacy of the City's and such covered organization's financial controls and which describes recommended steps to improve such controls. Each such report shall be accompanied by a statement of the City and the covered organizations, as the case may be, setting forth the steps it proposes to take to implement any
such recommendations. Each such report shall be approved by the EFCB and reviewed by the Audit Committee; any such recommendations shall be reviewed by the EFCB and the Audit Committee.

d. Other to be discussed.
6. The City shall furnish the Secretary with a semi-annual evaluation of the City's real estate tax base and business tax base, its obligations under welfare, medicaid and similar assistance programs, its labor contracts and productivity improvements and significant events affecting the revenues, taxes or expenditures of the City and the covered organizations.
7. IFMS.
8. City will provide such further assurances as to its obligations under the agreement to guarantee, any guaranteed bond or any obligation under the EFCB legislation or the Federal guarantee legislation as the Secretary may reasonably request.
9. The City will maintain an audit committee and a productivity council as required by the Federal guarantee legislation.
10. The City agrees to refund the guaranteed securities out of 15% of the net proceeds of long-term securities issued by the City after June 30, 1982 and to implement a refunding program for the earliest possible repayment of guaranteed securities, all as provided in the Federal guarantee legislation.
11. The City will sell its short-term and long-term securities to the public as required by the Federal guarantee legislation (in amounts to be specified in the agreement to guarantee which will coincide to the amounts which the City anticipates will be raised in the public markets under the financing agreement), subject to the right of the Secretary to increase or decrease such amounts in consultation with the City and its investment banker.

12. The City consents to the Secretary's right to withhold payments pursuant to Section 105(c) of the Federal guarantee legislation.

13. The City will comply with the terms of the financing agreement applicable to it.

14. The City consents to suit by the United States to enforce its obligations with the agreement to guarantee and any guaranteed bonds.

15. So long as the guaranteed bonds are outstanding, the City will not prepay any City bonds or notes or sinking fund obligations other than the guaranteed bonds or make any other preferential payment to any holder of bonds or notes.

16. The proceeds of the guaranteed bonds shall be used by the City only for true capital needs.

17. Other
IV. Covenants of the EFCB

1. The EFCB will enforce the provisions of the EFCB legislation and the financial plan then in effect and will use its best efforts to require the City to comply with the financing agreement and the agreement to guarantee. The EFCB will give the Secretary advance written notice of any changes in the financial plan.

2. The EFCB agrees to comply with covenants similar to City Covenants III. 2, 3, 4, 5, 7, 8, 9, 10, 11, and 13.

3. The EFCB consents to suit by the United States to enforce its obligations under the agreement to guarantee.
V. Covenants of MAC

1. MAC will comply with and enforce all the provisions of the financing agreement and the MAC Act (including the MAC Reserve Fund), and will use its best efforts to cause the City to comply with the agreement to guarantee, the financing agreement, and the EFCB Act.

2. MAC will not present for payment any City Notes held by it on June 30, 1978 except as specifically provided in the agreement to guarantee with respect to for more than $\_\_\_\_ principal amount in BAN's.

3. MAC will maintain a reserve fund with an independent trustee in an amount equal at least equal to 5 percent of the principal and of one year's interest on the guaranteed bonds which shall be pledged to pay principal and interest on guaranteed bonds which the City failed to pay, or, if the United States has made any payment under a guarantee, or to reimburse the United States for such payment. The monies held in such account shall be invested in obligations of the United States or obligations guaranteed by the United States.

4. MAC consents to suit by the United States to enforce the provisions of the agreement to guarantee, the MAC Reserve Fund and the financing agreement.

5. MAC will comply with covenants similar to City Covenants III. 4, and 8.
6. So long as any guaranteed bonds are outstanding, MAC will not make a prepayment of principal, interest or sinking payments on any MAC securities except with the proceeds of a refunding issue of MAC securities.
VI. Covenants of the State

1. Covenant provided by Section 10-a of the EFCB legislation.

2. The State will not repeal or otherwise impair the power or duty of the City, the Board or MAC to comply with the EFCB Act, the financing agreement, the agreement to guarantee, or any bond or note ordinance or agreement; repeal or impair any remedies of holders or guarantors of bonds or notes or otherwise exercise sovereign power in a manner inconsistent with the foregoing.

3. The State will covenant that, in the event any guarantees are to be issued after June 30, 1979, the level of State assistance will be at least as great during the fiscal year of the City in which such guarantees are issued as during the fiscal year of the City ended June 30, 1979.

4. The State consents to suit by the United States to enforce the covenants and the other provisions of the agreement to guarantee.

5. The State will comply with covenants similar to City Covenants III. 4, and 8.

6. The State consents to the Secretary's right to withhold payments pursuant to Section 105(c) of the Federal guarantee legislation.

7. The State will use its best efforts to require the City to comply with the financing agreement, the agreement to guarantee, the MAC Act and the EFCB Act.

8. State Comptroller will agree to give notice to the Secretary 30 days in advance of the payment date whether sufficient funds are projected to be collected from the tax levy and deposited
in the debt service account to make the payment when due or whether supplemental deposits into the debt service account will be required from the City.
VII. Representations and Warranties

The City, State, MAC and the Board will make representations and warranties as to the validity, enforceability and legality of the agreement to guarantee, non-violation of law, the accuracy of the Official Statement, the matters covered by the opinions of counsel and other matters as appropriate. The City will represent and warrant to the validity and enforceability of the guaranteed bonds, the pledge of its faith and credit and the taxability of real property within its jurisdiction to pay the guaranteed bonds and amounts owing under the agreement to guarantee.
VIII. Remedies

A. Events of Default

1. Failure to pay principal or interest on a guaranteed bond when due or failure to make any payment required under the agreement to guarantee within five days of the date when due.

2. Any representation or warranty made in the agreement to guarantee or any certificate or statement delivered in connection therewith shall fail to be true and accurate in any material respect.

3. Breach of a covenant and failure to cure the breach within 30 days after notice thereof from the Secretary.

4. A default in payment of any of the terms of any other instrument pursuant to which the City has any indebtedness for borrowed money outstanding or acceleration of the maturity of any MAC debt.

5. The City or MAC shall declare its inability to pay its debts as they mature or seek any relief under any moratorium, debt adjustment or bankruptcy statute.

6. The EPCB legislation shall be declared invalid in whole or in part and steps necessary to correct any such invalidity or to provide a substitute satisfactory to the Secretary shall not have been taken within 60 days of notice thereof from the Secretary.

7. The State shall breach any of its covenants in a material respect and such breach shall continue for a period of 30 days after notice thereof from the Secretary; any State covenant
shall be declared invalid in whole or in part and steps necessary to correct such invalidity or to provide a substitute satisfactory to the Secretary shall not have been taken within 60 days of notice thereof from the Secretary.

8. MAC shall have breached its covenant with respect to the MAC Reserve Fund in any material respect and such breach shall continue for a period of 30 days after notice thereof from the Secretary; the MAC Reserve Fund shall have been declared invalid in whole or in part and steps necessary to correct such invalidity or to provide a substitute satisfactory to the Secretary shall not have been taken within 60 days of notice thereof from the Secretary.

9. The City shall have failed to comply with Section 9-a of the EFCB Act or to make deposits in the debt service fund as required by III.2 hereof or shall have failed to comply with Section 9-b of the EFCB Act and such failure shall continue for a period of 30 days after notice thereof from the Secretary.

B. Remedies


2. Right to sue without delay where appropriate.

3. Right to terminate commitments.
1. EFCB must require balanced budgets in accordance with the State Comptroller's Uniform System of Accounts, subject to the exceptions for phaseout of the capitalized expenditures ($450 million, $300 million, $150 million) and cash accounting for pension accruals prior to June 30, 1982 as part of its requirements for approving the financial plan.

2. EFCB must be authorized to appoint individuals with expertise in municipal finance and officers and employees of independent public accountants to the audit committee; audit committee must be created.

3. EFCB must be authorized to review the proposals of the productivity council; productivity council must be created.

4. Coinsurance fund must be created -- presumably under the aegis of MAC.

5. Home Rule and other steps required to support the validity of the EFCB legislation.


7. The Local Finance Law shall contain statutory authorization for:
   
   (a) The City to issue covenants to the Federal government in connection with any guarantees, compliance with the provisions of the EFCB Act (including deposits into the general debt service fund and...
and compliance with short-term debt limits, the furnishing of financial information, refunding of guaranteed bonds in inverse order of maturities (whether or not of the same series) conditions which give rise to an event of default and the remedies applicable thereto, and such other covenants to which the City shall agree with the Federal government.

(b) The Federal government to bring suit in state or Federal courts to require the City and its officials to comply with the EFCB Act and any covenants made to it by the City in the agreement to guarantee, to enforce the obligation of the City to assess, levy and collect taxes adequate to repay the guaranteed bonds and any amounts owed to the United States under the agreement to guarantee, or to seek such other judicial relief as may be appropriate to enforce its rights.

(c) The Federal government to accelerate any guaranteed bond upon the occurrence of an event of default thereunder.

(d) The faith and credit of the City to be pledged to the repayment of any amounts owed to the Federal government under the agreement to guarantee.

(e) The payment of interest at the stated rate until payment in full of the principal.

8. Unless Bond Counsel indicates such legislation is not necessary, the Federal government will be authorized to bring
suit in state or Federal courts to enforce the covenants of the State in the agreement to guarantee (including the covenant provided pursuant to Section 10-a of the EFCB Act), to require the EFCB to exercise the powers provided in the EFCB Act and to comply with its covenants under the agreement to guarantee, to enforce the covenants of MAC under the agreement to guarantee and to comply with the MAC Reserve Fund. Officials of the State, MAC and EFCB will also be subject to suit. The State, the EFCB and MAC will be authorized to enter into the agreement to guarantee, to perform their respective obligations thereunder and to execute such further instruments (including the requests to issue guarantees which must be signed by the City and the Governor) as may be appropriate in connection therewith.

9. The trustees of the pension funds will receive an appropriate indemnity to permit them to invest in City or MAC securities, to enter into the financing agreement and to make commitments over the period of the financial plan.

10. Adequate bonding authority will be provided to the City to enable it to issue the bonds contemplated by the financing plan.

11. The Governor will be authorized to covenant in the agreement to guarantee as to the level of State assistance to the City with respect to guarantees issued after June 30, 1979,
to perform their respective obligations thereunder and to execute such further instruments (including the requests to issue guarantees which must be signed by the City and the Governor) as may be appropriate in connection therewith.

12. Title 6A and the authorization to file a Federal bankruptcy proceeding shall be repealed.

13. Other technical amendments to the EPCB legislation requested.
TO: See Distribution Below
FROM: Luke D. Lynch

DATE: August 29, 1978

SUBJECT: Revised Preliminary Draft - Federal Guarantees - Summary of Terms

Enclosed please find a revised term sheet for the Federal guarantees. This term sheet reflects comments received during the past week which are now accepted by the Treasury. Certain other comments related to specific covenant language and will be reflected in the draft agreement.

Please let me have your comments by Friday, September 1, 1978. My telephone number is (202) 566-7754 and my address is Main Treasury Building, Room 1422 15th and Pennsylvania Avenue, NW, Washington, D.C. 20220.

Distribution

Marilyn Friedman
MAC

R.B. Smith
Davies, Polk & Wardwell

Alan G. Schwartz
Corporation Counsel-City of NY

John Bender
EFCB

Melvin L. Schweitzer
Rogers & Wells

Michael Nadel
Governor's Office

Donald J. Robinson
Hawkin Delafield & Wood

Allen Brawer
Program Planners, Inc.

Arthur Levitt
State Comptroller

Frank Grady
NYS-Common Retirement Fund

Harold N. Langligz
NYS-Teachers Retirement System

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan
I. Amount, Term, Interest Rate, Guarantee, etc.

A. Amount Per Year

1. Committed Guarantees  
   Fiscal 1979  
   ($250 million to the New York  
   City Pension Funds  
   ($250 million to the New York  
   State Pension Funds

2. Committed Guarantees  
   Fiscal 1980  
   ($125 million to the New York  
   City Pension Funds  
   ($125 million to the New York  
   Pension Funds

3. Standby Guarantees  
   Fiscal 1981  
   ($150 million to the New York City Pension Funds  
   ($150 million to the New York State Pension Fund

4. Standby Guarantees  
   Fiscal 1982  
   ($300 million to the New York City Pension Funds  
   ($300 million to the New York State Pension Funds

B. Term of Guaranteed Bonds - issued by the City

1. Committed Guarantees - Fiscal 1979  
   15 years -- substantially equal repayments of principal

2. Committed Guarantee - Fiscal 1980  
   14 years -- substantially equal repayments of principal

3. Standby Guarantees - 7 years -- substantially equal repayments of principal*

* City to produce information as to bonding capacity.
C. Interest Rate

Formula to come

D. Guarantee Fee

1/2 of 1% per annum subject to the right of the Secretary periodically to escalate such fee from time to time in increments of 1/2 of 1% to induce the City to refund the guaranteed indebtedness in amounts greater than required pursuant to III.10.

E. Call Provisions on Guaranteed Bonds

Prepayable at par at any time without premium or penalty in whole or in part in inverse order of maturities - guaranteed bonds considered to be one series for purpose of prepayments and refunding provisions.

F. Conditions to Demand Payment Under Guarantee

City has failed to pay scheduled payment of principal or interest and failure has continued unremedied for 5 consecutive business days without cure from the City, the State or an agency of the State. Holder must give notice to Federal government of any such default within 2 business days thereof and take no legal action without the consent of the Secretary to enforce its rights to payment during the period prior to payment by the United States. Payment will be made in Federal funds at the Federal Reserve Bank of New York. The Pension Funds will agree that upon payment under the guarantees, the United States shall become subrogated to the rights of the Pension Funds with respect to amounts in default - bonds and interest coupons are to be tendered to the United States to the extent payments are made under the guarantee.
G. Reduction in Amount of Guarantee

The amount of guarantees remaining to be issued by the United States to any Pension Fund shall be reduced by the amount of any commitment such Pension Fund has failed to provide under the terms and conditions of the financing agreement for more than thirty days after the scheduled closing date for such commitment thereunder. The Pension Fund will remain obligated to purchase City bonds without the benefit of the guarantee.

H. Right of the United States to Purchase Guaranteed Bonds.

At any time after the occurrence of an event of default, the United States may purchase the guaranteed bonds owned by any Pension Fund upon 5 days' notice, upon payment of an amount equal to principal and accrued interest to the date of such purchase.

I. Consent to Suit

The Pension Funds will consent to suit by the United States with respect to their obligations under the guarantees and the financing agreement.

J. Parties

The United States, the City, the State, MAC and the EFCB shall be parties to the agreement to guarantee. The United States and the Pension Funds shall be parties to the guarantee.
II. Conditions to Each Issuance of Guarantee

1. The conditions required in the Federal guarantee legislation shall have been complied with to the satisfaction of the Secretary and the Secretary shall have made the determinations required by Section 103 of such legislation. As to the availability of credit and market access tests of Section 103(2) and 103(4), the City shall provide the Secretary with a satisfactory opinion of an investment banking firm of national reputation satisfactory to the Secretary. The City and the EFCB shall provide the Secretary with a certification as to the City's compliance with budgetary requirements of Section 103(5). The productivity council and the audit committee shall have been established prior to the first issuance of guarantees.

2. No event of default or event which the passage of time or giving of notice or both would constitute an event of default shall have occurred and be continuing, the representations and warranties made in the agreement to guarantee shall be true and correct on and as of such date and the Secretary shall have received a certificate to such effect from the City, the State, MAC and the EFCB.

3. The Secretary shall be a party to the financing agreement, and all terms and conditions of the financing agreement shall be satisfactory to, and enforceable by the Secretary. Such terms and conditions shall have been complied with (subject
to the right of the Secretary to reduce the amount of the guarantees under I.F. above) and the parties thereto shall have fulfilled their commitments as scheduled to the satisfaction of the Secretary. The financing agreement shall provide for commitments to purchase long-term MAC and City bonds substantially as shown on Table 1 and shall provide for seasonal commitments substantially as shown on Table 2. Each scheduled takedown of long-term securities by the purchasers will be accompanied by a takedown of guaranteed securities during fiscal 1979 and fiscal 1980. The purchasers shall agree to hold the MAC bonds for a period of 60 days after the purchase thereof. The financing agreement shall further provide that no amendments or modifications may be made without the consent of the Secretary.

4. The New York State legislature shall have enacted legislation satisfactory to the Secretary as to the matters described in Table 3 hereto.

5. All instruments, legal proceedings and opinions of counsel in connection with the execution, delivery and performance of the agreement to guarantee, the guaranteed bonds, the financing agreement and all transactions completed thereby shall be in form and substance satisfactory to the Secretary and the Secretary shall have received copies of all steps taken in connection therewith. All consents, approvals and authorizations of any governmental body necessary or appropriate in connection with any of the foregoing shall have been obtained and shall be in full force and effect.
6. The Secretary shall have received a satisfactory, favorable opinion of independent bond counsel to the City as to the validity and enforceability of the EFCB legislation, the State covenants, the agreement to guarantee and the guaranteed bonds and as to the proper authorization, execution and delivery thereof; as to the pledge of the faith and credit of the City to the repayment of such bonds and amounts payable under the agreement to guarantee; as to the non-violation of any other applicable laws; the creation of the funds (including the MAC reserve fund) for repayment of the guaranteed bonds and the pledge of any monies contained therein to the repayment of the guaranteed bonds; as to the validity and enforceability of the covenants and the MAC Reserve Fund, and as to such other matters as the Secretary shall request. The opinions shall cover the EFCB, the City and MAC as appropriate.

7. The Secretary shall have received a satisfactory, favorable opinion of Corporation Counsel to the City as to the validity and enforceability of the EFCB legislation, the agreement to guarantee and the guaranteed bonds and the proper authorization, execution and delivery thereof; as to the non-violation of laws and agreements by which the City is bound; as to the absence of material litigation, except as otherwise disclosed; and as to such other matters as the Secretary shall request.

8. The Secretary shall have received a satisfactory favorable opinion of the Attorney General of the State as to the validity
and enforceability of the EFCB legislation, the State covenants and the agreement to guarantee with respect to the State, the EFCB and MAC; and as to such other matters as the Secretary shall request.

9. The Secretary shall have received an Official Statement describing the bonds to be guaranteed.

10. The Pension Funds shall have completed the investments contemplated by the amended and related agreement.

11. The Secretary shall have obtained the required authority to issue such guarantees in an appropriations bill and such authority and the guarantee legislation shall be in full force and effect. In the case of guarantees to be issued after June 30, 1979, there shall have been no one house veto. In the case of guarantees to be issued after June 30, 1981, the Secretary shall have determined that the City shall have presented a balanced budget which has been approved by the EFCB.

12. The Secretary shall have made all findings required by P.L. 94-236, as amended.

13. The issuance of the standby guarantees shall be subject to compliance of such other terms and conditions as the Secretary shall deem appropriate, including the inability of MAC or the City to sell bonds in the public or private market.

14. MAC will surrender for cancellation all City notes held by it on June 30, 1978, except for those BANs subject to the agreement referred to in Section V.2 hereof.
III. City Covenants

1. Each bond guaranteed and all obligations under the agreement to guarantee will be general obligations of the City and the faith and credit of the City shall be pledged to the payment of principal and interest on each guaranteed bond and to the payments of amounts payable under the agreement to guarantee, including the guarantee fee. The City covenants to make all payments on such bonds and under the agreement to guarantee when due. Interest on the guaranteed bonds will be payable at the coupon rate until payment in full. Upon payment under any guarantee, the Treasury shall be subrogated to all rights of the holder of the guaranteed bonds with respect to obligations for which payments were made under such guarantee.

2. The City will comply with the provisions of the EFCB legislation, (including Sections 9-a and 9-b of the EFCB Act as currently in effect), the borrowing laws of the State, the MAC Act and the financial plan then in effect. The City will deposit such funds in the debt service account in such amounts as shall be certified by the State Comptroller as necessary to make payments when due of principal and interest on outstanding bonds or notes. Such deposits shall be made on or before the fifth business day preceding the date such payment is due. The City will give the Secretary advance written notice of any modification in the financial plan.
3. No liens or special accounts will be created for the prepayment of indebtedness except for those provided in, or contemplated by, the EFCB legislation.

4. The General Accounting Office and any representative of the Secretary will be authorized to conduct such audits of the City and the covered organizations, to receive and review such financial information and to make such copies thereof as either may deem appropriate from time to time. The City and the covered organization will provide such additional information as the Secretary or the General Accounting Office shall request.

5. The City shall provide the following reports:
   a. Within thirty days of the end of each month, certificates, approved by the EFCB, certifying as to changes in the financial plan and as to litigation challenging the validity of EFCB legislation, the agreement to guarantee, any guarantee or the financial plan.
   b. Within thirty days of the end of each month, a financial plan statement for the City and the covered organizations showing the financial plan summary, the changes in fiscal year forecast, and the revenues, obligations and unrestricted cash flow on a monthly and year-to-year basis together with comparative figures for the preceding fiscal year.
and a description of any deviations from the financial plan during such month and any action taken to correct such deviations. Quarterly statements shall include a listing of Federal receivables by agency. Each statement shall be approved by the EFCB and quarterly statements shall be reviewed by the audit committee and reviewed and commented upon by the independent public accountants for the City.

c. Within 120 days of the end of each fiscal year, an annual audit report certified by the independent public accountants for the City (as required by the Federal guarantee legislation) and an annual audit report certified by the independent public accountants for such of the covered organizations as the Secretary shall deem material (including Health and Hospitals Corporation, the Transit Authority and the Board of Education). Each audit report shall show any deviations from GAAP and shall be accompanied by a report as to the adequacy of the City's and such covered organization's financial controls and which describes recommended steps to improve such controls. Each such report shall be accompanied by a statement of the City and the covered organizations, as the case may be, setting forth the steps it proposes to take to implement any
such recommendations. Each such report shall be approved by the EFCB and reviewed by the Audit Committee; any such recommendations shall be reviewed by the EFCB and the audit committee.

d. Other to be discussed.

6. The City shall furnish the Secretary with a semi-annual evaluation of the City's real estate tax base and business tax base, its obligations under welfare, medicaid and similar assistance programs, its labor contracts and productivity improvements and significant events affecting the revenues, taxes or expenditures of the City and the covered organizations.

7. IFMS.

8. City will provide such further assurances as to its obligations under the agreement to guarantee, any guaranteed bond or any obligation under the EFCB legislation or the Federal guarantee legislation as the Secretary may reasonably request.

9. The City will maintain an audit committee and a productivity council as required by the Federal guarantee legislation.

10. The City agrees to refund the guaranteed securities out of 15% of the net proceeds of long-term securities issued by the City after June 30, 1982 and to implement a refunding program for the earliest possible repayment of guaranteed securities, all as provided in the Federal guarantee legislation.
11. The City will sell its short-term and long-term securities to the public as required by the Federal guarantee legislation (in amounts to be specified in the agreement to guarantee which will coincide to the amounts which the City anticipates will be raised in the public markets under the financing agreement), subject to the right of the Secretary to increase or decrease such amounts in consultation with the City and its investment banker.

12. The City consents to the Secretary's right to withhold payments pursuant to Section 105(c) of the Federal guarantee legislation.

13. The City will comply with the terms of the financing agreement applicable to it.

14. The City consents to suit by the United States to enforce its obligations with the agreement to guarantee and any guaranteed bonds.

15. So long as the guaranteed bonds are outstanding, the City will not prepay any City bonds or notes or sinking fund obligations other than the guaranteed bonds or make any other preferential payment to any holder of bonds or notes.

16. The proceeds of the guaranteed bonds shall be used by the City only for true capital needs.

17. Other
IV. Covenants of the EFCB

1. The EFCB will enforce the provisions of the EFCB legislation and the financial plan then in effect and will use its best efforts to require the City to comply with the financing agreement and the agreement to guarantee. The EFCB will give the Secretary advance written notice of any changes in the financial plan.

2. The EFCB agrees to comply with covenants similar to City Covenants III. 2, 3, 4, 5, 7, 8, 9, 10, 11, and 13.

3. The EFCB consents to suit by the United States to enforce its obligations under the agreement to guarantee.
V. Covenants of MAC

1. MAC will comply with and enforce all the provisions of the financing agreement and the MAC Act (including the MAC Reserve Fund), and will use its best efforts to cause the City to comply with the agreement to guarantee, the financing agreement, and the EFCB Act.

2. MAC will not present for payment any City Notes held by it on June 30, 1978 except as specifically provided in the agreement to guarantee with respect to for more than $ principal amount in BAN’s.

3. MAC will maintain a reserve fund with an independent trustee in an amount equal at least equal to 5 percent of the principal and of one year’s interest on the guaranteed bonds which shall be pledged to pay principal and interest on guaranteed bonds which the City failed to pay, or, if the United States has made any payment under a guarantee, or to reimburse the United States for such payment. The monies held in such account shall be invested in obligations of the United States or obligations guaranteed by the United States.

4. MAC consents to suit by the United States to enforce the provisions of the agreement to guarantee, the MAC Reserve Fund and the financing agreement.

5. MAC will comply with covenants similar to City Covenants III. 4, and 8.
6. So long as any guaranteed bonds are outstanding, MAC will not make a prepayment of principal, interest or sinking payments on any MAC securities except with the proceeds of a refunding issue of MAC securities.
VI. Covenants of the State

1. Covenant provided by Section 10-a of the EFCB legislation.

2. The State will not repeal or otherwise impair the power or duty of the City, the Board or MAC to comply with the EFCB Act, the financing agreement, the agreement to guarantee, or any bond or note ordinance or agreement; repeal or impair any remedies of holders or guarantors of bonds or notes or otherwise exercise sovereign power in a manner inconsistent with the foregoing.

3. The State will covenant that, in the event any guarantees are to be issued after June 30, 1979, the level of State assistance will be at least as great during the fiscal year of the City in which such guarantees are issued as during the fiscal year of the City ended June 30, 1979.

4. The State consents to suit by the United States to enforce the covenants and the other provisions of the agreement to guarantee.

5. The State will comply with covenants similar to City Covenants III. 4, and 8.

6. The State consents to the Secretary's right to withhold payments pursuant to Section 105(c) of the Federal guarantee legislation.

7. The State will use its best efforts to require the City to comply with the financing agreement, the agreement to guarantee, the MAC Act and the EFCB Act.

8. State Comptroller will agree to give notice to the Secretary 30 days in advance of the payment date whether sufficient funds are projected to be collected from the tax levy and deposited
in the debt service account to make the payment when due
or whether supplemental deposits into the debt service account
will be required from the City.
VII. Representations and Warranties

The City, State, MAC and the Board will make representa-
tions and warranties as to the validity, enforceability and
legality of the agreement to guarantee, non-violation of law,
the accuracy of the Official Statement, the matters covered
by the opinions of counsel and other matters as appropriate.
The City will represent and warrant to the validity and enforce-
ability of the guaranteed bonds, the pledge of its faith and
credit and the taxability of real property within its jurisdiction
to pay the guaranteed bonds and amounts owing under the agreement
to guarantee.
VIII. Remedies

A. Events of Default

1. Failure to pay principal or interest on a guaranteed bond when due or failure to make any payment required under the agreement to guarantee within five days of the date when due.
2. Any representation or warranty made in the agreement to guarantee or any certificate or statement delivered in connection therewith shall fail to be true and accurate in any material respect.
3. Breach of a covenant and failure to cure the breach within 30 days after notice thereof from the Secretary.
4. A default in payment of any of the terms of any other instrument pursuant to which the City has any indebtedness for borrowed money outstanding or acceleration of the maturity of any MAC debt.
5. The City or MAC shall declare its inability to pay its debts as they mature or seek any relief under any moratorium, debt adjustment or bankruptcy statute.
6. The EFCB legislation shall be declared invalid in whole or in part and steps necessary to correct any such invalidity or to provide a substitute satisfactory to the Secretary shall not have been taken within 60 days of notice thereof from the Secretary.
7. The State shall breach any of its covenants in a material respect and such breach shall continue for a period of 30 days after notice thereof from the Secretary; any State covenant
shall be declared invalid in whole or in part and steps necessary to correct such invalidity or to provide a substitute satisfactory to the Secretary shall not have been taken within 60 days of notice thereof from the Secretary.

8. MAC shall have breached its covenant with respect to the MAC Reserve Fund in any material respect and such breach shall continue for a period of 30 days after notice thereof from the Secretary; the MAC Reserve Fund shall have been declared invalid in whole or in part and steps necessary to correct such invalidity or to provide a substitute satisfactory to the Secretary shall not have been taken within 60 days of notice thereof from the Secretary.

9. The City shall have failed to comply with Section 9-a of the EFCB Act or to make deposits in the debt service fund as required by III.2 hereof or shall have failed to comply with Section 9-b of the EFCB Act and such failure shall continue for a period of 30 days after notice thereof from the Secretary.

B. Remedies


2. Right to sue without delay where appropriate.

3. Right to terminate commitments.
Table III

State Legislation

1. EFCB must require balanced budgets in accordance with the State Comptroller's Uniform System of Accounts, subject to the exceptions for phaseout of the capitalized expenditures ($450 million, $300 million, $150 million) and cash accounting for pension accruals prior to June 30, 1982 as part of its requirements for approving the financial plan.

2. EFCB must be authorized to appoint individuals with expertise in municipal finance and officers and employees of independent public accountants to the audit committee; audit committee must be created.

3. EFCB must be authorized to review the proposals of the productivity council; productivity council must be created.

4. Coinsurance fund must be created -- presumably under the aegis of MAC.

5. Home Rule and other steps required to support the validity of the EFCB legislation.


7. The Local Finance Law shall contain statutory authorization for:

   (a) The City to issue covenants to the Federal government in connection with any guarantees, compliance with the provisions of the EFCB Act (including deposits into the general debt service fund and
and compliance with short-term debt limits, the furnishing of financial information, refunding of guaranteed bonds in inverse order of maturities (whether or not of the same series) conditions which give rise to an event of default and the remedies applicable thereto, and such other covenants to which the City shall agree with the Federal government.

(b) The Federal government to bring suit in state or Federal courts to require the City and its officials to comply with the EFCB Act and any covenants made to it by the City in the agreement to guarantee, to enforce the obligation of the City to assess, levy and collect taxes adequate to repay the guaranteed bonds and any amounts owed to the United States under the agreement to guarantee, or to seek such other judicial relief as may be appropriate to enforce its rights.

(c) The Federal government to accelerate any guaranteed bond upon the occurrence of an event of default thereunder.

(d) The faith and credit of the City to be pledged to the repayment of any amounts owed to the Federal government under the agreement to guarantee.

(e) The payment of interest at the stated rate until payment in full of the principal.

8. Unless Bond Counsel indicates such legislation is not necessary, the Federal government will be authorized to bring
suit in state or Federal courts to enforce the covenants of the State in the agreement to guarantee (including the covenant provided pursuant to Section 10-a of the EFCB Act), to require the EFCB to exercise the powers provided in the EFCB Act and to comply with its covenants under the agreement to guarantee, to enforce the covenants of MAC under the agreement to guarantee and to comply with the MAC Reserve Fund. Officials of the State, MAC and EFCB will also be subject to suit. The State, the EFCB and MAC will be authorized to enter into the agreement to guarantee, to perform their respective obligations thereunder and to execute such further instruments (including the requests to issue guarantees which must be signed by the City and the Governor) as may be appropriate in connection therewith.

9. The trustees of the pension funds will receive an appropriate indemnity to permit them to invest in City or MAC securities, to enter into the financing agreement and to make commitments over the period of the financial plan.

10. Adequate bonding authority will be provided to the City to enable it to issue the bonds contemplated by the financing plan.

11. The Governor will be authorized to covenant in the agreement to guarantee as to the level of State assistance to the City with respect to guarantees issued after June 30, 1979,
August 17, 1978

Mr. Eugene Keilin
Executive Director
Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

Dear Mr. Keilin:

Attached are the Division of the Budget's comments on the draft of the term sheet prepared by the U.S. Treasury Department setting forth provisions to be included in a Guarantee Agreement for City bonds, as requested by Marilyn Friedman in her letter of August 14.

In the interests of preparing a quick response, we have limited our comments to those matters affecting the State (but not necessarily State-created agencies) directly, although we have questions on matters affecting such agencies and/or the City. If these concerns do not appear to have been addressed in subsequent drafts, we may comment upon them at that time.

This summary of comments on matters directly affecting the State is not intended to be exhaustive.

Sincerely,

[Signature]

cc: Michael Nadel
Section VI. Covenants of the State

Item 1. The State has no objection to a covenant to the maintenance of a covenant that it has already covenanted to maintain.

Item 2. The provision seems overly broad. For example, a reduction in State assistance to the City (though permitted by other provisions of the Agreement and the EFCB Act) might be considered as "impairing" the power of the City to comply with the Act, as might other financial actions that are similarly otherwise permitted. The provisions on note/bond holders' rights seem inconsistent with a later requirement regarding bankruptcy statutes.

Item 3. It is beyond the power of the State to covenant to this matter, since the level of assistance is subject to legislative action. (Requiring the State to maintain such level, however, can continue to be a condition for extending the guarantees.) In the event this meaningless provision is necessary, "level of State assistance" should be carefully defined to: (i) exclude from the base year the $800 million advance, which is scheduled to be phased-out under the City's Four-Year Plan (and which is accounted for by the State as a separate item of aid in addition to the aid from which it is repaid) and Federal funds "passed-through"
to the City to the extent the Federal government reduces the amount of such funds in subsequent years; (ii) reflect, as assistance, State "takeovers" of City expenditures (e.g., the scheduled court costs assumption and proposed welfare assumptions); (iii) exclude reductions resulting from the City's failure to timely submit appropriate documents or comply with State regulations, or from taking disallowances; and (iv) exclude reductions resulting from reductions in shared costs (e.g., welfare) if the City realizes comparable savings, or from Federal takeovers (e.g., welfare) if such Federal funds are passed-through to the City or the City is relieved of costs.

Item 4. No objection, provided the covenants and provisions are satisfactory to the State.

Item 5. The provision is vague. If the extension of City Covenant provision III-4 means the State is to consent to Federal audit, it is objectionable and unnecessary, having nothing to do with the State's obligations under the proposed agreement (except those regarding maintenance of State aid which can be covered by a more limited provision). The provisions of the extension of III-8 should be changed to require submission of information that the Federal government may "reasonably" request and that is within the State's capacity to provide.
Item 6. There is no reason to consent to the exercise of a "right," and such consent might be interpreted as granting the Federal government powers not included in such "right."

Item 7. It seems duplicative (e.g., How do you separate the best efforts of two State-created bodies, EFCB and MAC, from the State?), unnecessary (e.g., What difference does such exercise make?), and vague (e.g., Does it require continual supervision by the State? Will failure to pass at this time some legislation whose need cannot yet be foreseen be judged as failure to put forth best efforts?).

Section VII. Representations and Warranties
The section would require the State to make representations and warranties on matters on which it has no competence nor ability to make, including the accuracy of a City official statement, the existence of pending and threatened litigation against the City, the City's violation of law (other than the EFCB and MAC acts), and "other matters as appropriate."

Unnumbered Section. State Legislation
Item 1. Present balanced budget requirements under the EFCB Act are satisfactory, and are different from those contemplated here. Balance, under that Act, is to be judged according to GAAP, as adjusted (not the Comptroller's Accounts), except under certain circumstances. Moreover,
the EFCB act in certain exceptional cases does not require the maintenance of a balanced budget, which this provision might require.

Item 2. The proposed composition of the audit committee is unnecessarily restrictive, (CEO's and financial officers of nonfinancial institutions should be included, as well as, perhaps, representatives of the State Comptroller.)

Item 3. The purposes of EFCB review are unclear, and the power to review should not increase EFCB's powers over the City to a greater extent than now permitted by the EFCB act (e.g., failure to implement the Council's recommendations should not result in EFCB disapproval of a City budget which otherwise satisfies the requirements of the EFCB Act).

Item 4. No objection.

Item 5. Meaning of provision is unclear.

Item 6. Meaning of provision is unclear.

Item 7. Provisions of (b), (c) and (d) may violate State constitution.

Item 8. Comments to come.
Item 9. The State Comptroller (in his role as Trustee of the Common Retirement Fund) has indicated that he does not want such indemnification.

Item 10. The requirement is unnecessary (since it has been done), and beyond the State's power to covenant to (since such action is subject to the legislative process) and, under an admittedly improbable concatenation of events, unconstitutional (if issuance of such debt should violate the State constitution because of conflict with debt limitations or other provisions).

Item 11. See comments under "Section VI," item (3).

Item 12. While it may be possible to devise an arrangement whereby, in a bankruptcy proceeding, the Federal government may have a claim superior to other claimants, it appears, unwise, unnecessary, and perhaps unconstitutional to deny the City (or its creditors) remedies in a bankruptcy situation.

Item 13. Further detail is necessary.
Selected Comments on Other Matters Relevant to the State

1. On any refunding of guaranteed debt by nonguaranteed debt, the State pension funds should be taken out of their commitments/holdings entirely before the City pension funds are relieved.

2. The obligations of each specific pension fund (not just the City or State pension funds in aggregate) should be specified.

3. Relating to item (f) of Section I, the State Comptroller should be required to report only on factual matters (e.g., the amount of monies in the account at a specific time) and not on estimates.

4. The several Pension Funds should be parties to the Agreement of Guarantee (or to the specific provisions directly applicable to them).

5. Relating to item (8) of Section II, the State Attorney General should be required to opine only on State matters that are within his competence.

6. Relating to item (7) of Section VIII, in cases where the invalidity arises from a constitutional problem and cannot be correct because of such problem, an event of default should not occur.
TO: See Distribution Below                                      DATE: August 9, 1978

FROM: Luke Lynch

SUBJECT: Preliminary Draft

Enclosed please find a preliminary term sheet in the Federal Agreement to Guarantee. Changes may be necessary as the structure of the other agreements developed as other developments occur.

Please distribute copies to your clients and associates as appropriate.

Enclosure

Distribution List

Marilyn Friedman
MAC

R.B. Smith
Davis, Polk & Wardwell

Allen G. Schwartz
Corporate Counsel - City of N.Y.

John Bender
EFCB

Paul G. Hopkins
Rogers & Wells

Donald G. Robinson
Hawkins, Delafield & Wood

Alan G. Brower
Program Planners, Inc.

Michael Nadel
Governor's Office

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan
I. Amount, Term, Interest Rate, Guarantee, etc.

A. Amount

1. Committed Guarantees
   Fiscal 1979
   ($250 million to the New York City Pension Funds
   ($250 million to the New York State Pension Funds

2. Committed Guarantees
   Fiscal 1980
   ($125 million to the New York City Pension Funds
   ($125 million to the New York State Pension Funds

3. Standby Guarantees
   Fiscal 1980
   ($125 million to the New York City Pension Funds
   ($125 million to the New York State Pension Funds

4. Standby Guarantees
   Fiscal 1981
   ($162.5 million to the New York City Pension Funds
   ($162.5 million to the New York State Pension Funds

5. Standby Guarantees
   Fiscal 1982
   ($162.5 million to the New York City Pension Funds
   ($162.5 million to the New York State Pension Funds

B. Term of Guaranteed Bonds - issued by the City

1. Committed Guarantees - Fiscal 1979
   15 years -- substantially equal repayments of principal

2. Committed Guarantee - Fiscal 1980
   14 years -- substantially equal repayments of principal

3. Standby Guarantees - 7 years - substantially equal repayments of
C. Interest Rate

Formula to come

D. Guarantee Fee

1/2 of 1% per annum for the first 5 yrs. of the guarantee period
1% per annum for the second 5 yrs. of the guarantee period
1-1/2% per annum on the balance,

subject to the right of the Secretary to periodically escalate such fee from time to time in increments of 1/2 of 1% to induce the City to enter the public credit markets.

E. Call Provisions on Guaranteed Bonds

Prepayable at par at any time without premium or penalty in whole or in part in inverse order of level maturities.

F. Conditions to Demand Payment Under Guarantee

City has failed to pay scheduled payment of principal or interest and failure has continued unremedied for 5 consecutive days without cure from the City, the State or an agency of the State. Holder must give notice to Federal government of any default within 5 days thereof and take no legal action to enforce its rights against the City during the thirty-day period. State Comptroller will agree to give notice to the Secretary 30 days in advance of the payment date of sufficient funds as not in the debt service account to make the payment when due. Upon payment under the guarantees, the United States shall become subrogated to the rights of the Pension Funds with respect to payments - bonds and interest coupons are to be tendered to the United States to the extent payments are made under the Guarantee.

G. Reduction in Amount of Guarantee

The amount of guarantees to be issued by the United States to any Pension Fund shall be reduced by the amount of any commitment such holder has failed to provide under the terms and conditions of the Financing Agreement for more than thirty days after the schedule closing date for such commitment thereunder. The Pension Fund will remain obligated to purchase the City bond with-
H. Right of the United States to Purchase Guaranteed Bonds.

The United States may purchase the guaranteed bonds owned by any Pension Fund at any time upon 5 days notice, upon payment of the purchase price equal to principal and accrual interest to the date of such purchase.

I. Consent to Suit

The Pension Funds will consent to suit by the United States with respect to their obligations under the guarantees and the Financing Agreement.

J. Parties

The United States, the City, State, MAC and the EFCB shall be parties to the Agreement of Guarantee. The United States and the Pension Funds shall be parties to the Guarantee.
II. Conditions to Each Issuance of Guarantee

1. The conditions required in the Federal guarantee legislation shall have been complied with to the satisfaction of the Secretary and the Secretary shall have made the determinations required by Section 103 of the Federal Guarantee Legislation. As to the availability of credit and market access tests of Section 103(2) and 103(4), the City shall provide the Secretary with a satisfactory opinion of the Financial Advisor to the City. As to the City's compliance with budgetary requirements, the City and the EFCB shall provide the Secretary with a certification to such effect. The Productivity Council and the Audit Committee shall have been established.

2. No event of default or event which the passage of time or giving of notice or both would constitute an event of default has occurred and is continuing and the representations and warranties made in the agreement to guarantee shall be true and correct on and as of such date and the Secretary shall have received a certificate to such effect from the City, the State, MAC and the EFCB.

3. The Secretary shall be a party to the Financing Agreement, and all terms and conditions of the Financing Agreement shall have been complied with (subject to the right of the Secretary to reduce the amount of the guarantees under I.F. above) and the parties thereto shall have fulfilled their commitments scheduled to be made therein to the satisfied their commitments scheduled to be made therein to the satisfaction of the Secretary. The Financing Agreement shall provide for commitments to purchase long-term MAC and City bonds substantially as shown on Table 1 and shall provide for seasonal commitments substantially as shown on Table 2, and shall provide that
purchasers shall agree to hold the MAC bonds for a period of 60 days after the purchase thereof.

4. The New York State legislature shall have enacted legislation as to the matters described in Table 3 satisfactory to the Secretary.

5. All instruments, legal proceedings and opinion of counsel in connection with the execution, delivery and performance of the Agreement to Guarantee, the guaranteed bonds, the Financing Agreement and all transactions completed thereby shall be in form and substance satisfactory to the Secretary and the Secretary shall have received copies to his satisfaction of all steps taken in connection therewith. All consents, approvals and authorizations of any governmental body necessary or appropriate in connection with any of the foregoing shall have been obtained and shall be in full force and effect.

6. The Secretary shall have received a satisfactory, favorable opinion of independent bond counsel to the City as to the validity and enforceability of the EFCB legislation the validity and enforceability of the Agreement to Guarantee and the bonds guaranteed and the proper authorization, execution and delivery thereof; the pledge of the faith and credit of the City to the repayment of such bonds and amounts payable under the Guarantee; the non-violation of any other applicable laws; the creation of the funds (including the MAC reserve fund) for repayment of the guaranteed bonds and the
pledge of any monies contained therein to the repayment of the bonds guaranteed; the validity and enforceability of the covenants and the MAC Reserve Fund, and as to such other matters as the Secretary shall request. The opinions shall cover the EFCB, the City and MAC as appropriate.

7. The Secretary shall have received a satisfactory, favorable opinion of Corporation Counsel to the City as to the validity and enforceability of the Agreement to Guarantee and the bonds guaranteed and the proper authorization, execution and delivery thereof, as to the non-violation of laws and agreements by which the City is bound and as to the absence of material litigation, except as otherwise disclosed, and as to such other matters as the Secretary requests.

8. The Secretary shall have received a satisfactory favorable opinion of the Attorney General of the State as to the validity of the EFCB legislation and the State Covenants and as to such other matters as the Secretary shall request.

9. The Secretary shall have received an Official Statement describing the bonds to be guaranteed.

10. The Pension Funds shall have completed the investments contemplated by the Amended and Related Agreement.

11. The Secretary shall have obtained the required authority to issue such guarantees in an appropriations bill and such authority and the guarantee legislation shall be in full force and effect. In the case of guarantees to be issued after June 30, 1979, there shall have been no one house veto. In the case of guarantees to be issued after June 30, 1981, the Secretary shall have determined that the City shall have
presented a balanced budget which has been approved by the EFCB.

12. The Secretary shall have made all findings required by PL 94-235, as amended.

13. The issuance of the standby guarantees shall be subject to compliance of such other terms and conditions as the Secretary shall deem appropriate, including the inability of MAC or the City to sell bonds.
III. City Covenants

1. Each bond guaranteed and all obligations under the agreement to guarantee will be general obligations of the City and the faith and credit of the City shall be pledged to the payment of principal and interest on each Note and to the payments of amounts payable under the Agreement to Guarantee, including the guarantee fee. The City covenants to make all payments on such bonds and under the Agreement to Guarantee when due. Upon payment under any Guarantee, the Treasury shall be subrogated to all rights of the holder of the guaranteed bonds with respect to obligations for which payments were made under such Guarantee.

2. The City will comply with the provisions of the EFCB legislation, the borrowing laws of the State, the MAC Act and the Financial Plan then in effect. The City will give the Secretary advance written notice of any modification in the Financial Plan.

3. No liens or special accounts will be created except for those provided in, or contemplated by, the EFCB legislation.

4. The General Accounting Office and any representative of the Secretary will be authorized to conduct such audits of the City and the covered organizations and to receive and review such financial information (and to make copies thereof) as either may deem appropriate from time to time.
5. The City shall provide the following reports:

a. Within thirty days of the end of each month, certificates, approved by the EFCB, certifying as to changes in the Financial Plan and litigation challenging the validity of EFCB legislation, the Financial Plan, the Agreement to Guarantee or the guarantee.

b. Within thirty days of the end of each month, a Financial Plan Statement for the City and the Covered Organizations showing the Financial Plan Summary, the Changes in Fiscal Year Forecast, Revenues, Obligations and unrestricted cash flow on a monthly and year-to-year basis showing comparative figures for the preceding Fiscal Year and explaining any deviations from the Financial Plan as in effect for such month and any action taken to correct such deviations. Each statement shall be approved by the EFCB. Quarterly statements shall be reviewed by the audit committee and reviewed and commented upon by the independent public accountants for the City and shall also include a listing of Federal receivables by agency and state receivables by agency.
c. Within 120 days of the end of each fiscal year, an annual audit report as required by the Federal Guarantee legislation certified by the independent public accountants for the City, an annual audit report certified by the independent public accountants for such of the Covered Organizations as the Secretary shall deem material, (including Health and Hospitals Corporation), the Transit Authority and the Board of Education showing any deviations from GAAP and a report as to the adequacy of the City's and such Covered Organizations financial controls and recommended steps to improve such controls. Such report shall be accompanied by a statement of the City and the Covered Organizations setting forth the steps it proposes to take to implement any such recommendations. Such report shall be approved by the EFCB and reviewed by the Audit Committee and such recommendations shall be reviewed by the EFCB and the audit committee.

d. Other to be discussed.

6. The City shall furnish the Secretary with a semi-annual evaluation of the City's real estate tax base and business tax base, obligations under welfare, medicaid and similar assistance programs labor contracts and productivity improvements and other significant events affecting the revenues, taxes or expenditures of the City and the Covered Organizations.
7. IFMS.
8. City will provide such additional information as the Secretary or the General Accounting Office shall request.
9. City will provide such further assurances as to its obligations under the Agreement to Guarantee, any guaranteed bond or any obligation under the EPCB legislation or the Federal guarantee legislation as the Secretary may reasonably request.
10. The City will establish and maintain the Audit Committee and the Productivity Council as required by the Federal Guarantee legislation.
11. The City agrees to refund the guaranteed securities out of 15% of the net proceeds of long-term securities issued by the City after June 30, 1982 and to implement a refunding program for the earliest possible repayment of guaranteed securities as provided in the Federal guarantee legislation.
12. The City will sell its short-term and long-term securities to the public as required by the Federal guarantee legislation in amounts to be specified in the Agreement to Guarantee, subject to the right of the Secretary to increase such amounts in consultation with the City and its Financial Advisor.
13. The City consents to the Secretary's right to withhold payments pursuant to Section 105(c) of the Guarantee Act.
14. The City will comply with the terms of the Financing Agreement applicable to it.

15. The City consents to suit by the United States to enforce its obligations with the Agreement to Guarantee and any guaranteed bonds.

16. The City will not prepay any City bonds or notes or sinking fund obligations other than the guaranteed bonds or make any other preferential payment to any holder of bonds or notes.

17. Other
IV. **Covenants of the EFCB**

1. The EFCB will enforce the provisions of the EFCB legislation and the Financial Plan then in effect. The EFCB will give the Secretary advance written notice of any changes in the Financial Plan.

2. The EFCB agrees to comply with Covenants similar to City Covenants III. 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, and 16, the extent applicable to it.

3. The EFCB consents to suit by the United States to enforce its obligations under the Agreement to Guarantee.

4. The EFCB will use its best efforts to require the City to comply with the Financing Agreement and the Agreement to Guarantee.
V. Covenants of MAC

1. MAC will comply with and enforce all the provisions of the Financing Agreement and the MAC legislation and will use its best efforts to cause the City to comply with the Agreement to Guarantee, the Financing Agreement, the MAC Act and the EFCB Act.

2. MAC will surrender all City notes held by it on June 30, 1978 to the City for cancellation without any payment thereon, except for not more than $_______ principal amount in BAN's for which payment of interest only shall be required.

3. MAC will maintain a reserve fund with an independent trustee in an amount equal at least equal to 5 percentum of the principal and of one year's interest on the guaranteed bonds which shall be pledged to pay principal and interest on guaranteed bonds which the City failed to pay, or, if the United States has made any payment under a Guarantee, or to reimburse the United States for such amount. The monies held in such account shall be invested in obligations of the United States or obligations guaranteed by the United States.

4. MAC consents to suit by the United States to enforce the provisions of the Agreement to Guarantee, the MAC Reserve Fund and the Financing Agreement.
5. MAC will comply with covenants similar to City Covenants III. 4, 8 and 9.

6. MAC will not make a prepayment of principal, interest or sinking fund payments on any MAC securities so long as the guaranteed bonds are outstanding.
VI. **Covenants of the State**

1. Covenant provided by Section 10-a of the EFCB legislation.

2. The State will not repeal or otherwise impair the power or duty of the City, the Board or MAC to comply with the Act or any bond or note ordinance or agreement; repeal or impair any remedies of holders or guarantors of bonds or notes or agreements; or otherwise exercise sovereign power in a manner inconsistent with the foregoing.

3. The State will covenant that, in the event any guarantees are to be issued after June 30, 1979, the level of State assistance will be at least as great during the fiscal year of the City in which such guarantees are issued as during the fiscal year of the City ended June 30, 1979.

4. The State consents to suit by the United States to enforce the covenants and the other provisions of the Agreement to Guarantee.

5. The State will comply with covenants similar to City Covenants III, 4, 8 and 9.

6. The State consents to the Secretary's right to withhold payments pursuant to Section 105(c) of the Guarantee Act.

7. The State will use its best efforts to require the City to comply with the Financing Agreement, the Agreement to Guarantee, the MAC Act and the EFCB Act.
VII. **Representations and Warranties**

The City, State, MAC and the Board will make representations and warranties as to the validity, enforceability and legality of the Agreement to Guarantee, non-violation of law, the accuracy of the Official Statement, pending and threatened litigation, the matters covered by the opinions of counsel and other matters as appropriate. The City will represent and warrant to the validity and enforceability of the guaranteed bonds, the pledge of its faith and credit and the taxability of real property within its jurisdiction to pay the guaranteed bonds and amounts owing under the Agreement to Guarantee.
VIII. Remedies

A. Events of Default

1. Failure to pay principal or interest on a guaranteed bond for a period of five days after the date when due or failure to make any payment required under the agreement to guarantee within 5 days of the due date thereof.

2. Any representation or warranty made in the agreement to guarantee, or any certificate or statement delivered in connection therewith to be true and accurate in any material respect when made.

3. Breach of a covenant and failure to cure the breach within 10 days after notice thereof from the Secretary.

4. A default in payment of any of the terms of any other instrument pursuant to which the City or MAC has any indebtedness for borrowed money or the deferred purchase price of property outstanding shall occur whether or not such default shall result in an acceleration.

5. The City or MAC shall declare its inability to pay its debts as they mature or seek any relief under any moratorium, debt adjustment or bankruptcy statute.

6. The EFCB legislation shall be declared invalid in whole or in part and steps necessary to correct any such invalidity or to provide a satisfactory substitute shall not have been taken within 30 days of any judgment declaring such invalidity.

7. The State shall breach its covenants in any material respect or the State covenants shall be declared invalid in whole or in
part and steps necessary to correct any such invalidity shall not have been taken within 30 days of any judgment declaring such invalidity.

3. There shall be a material adverse deviation from the Financial Plan then in effect or the estimates and assumptions underlying such Financial Plan and the City shall have failed to submit a modification to such Financial Plan as required by the EFCB legislation which shall be approved by the EFCB within 30 days after notice thereof has been given by the EFCB or the Secretary to the City.

B. Remedies

1. Acceleration in the case of items A.1, A.4, A.5, A.6, A.7, A.8
2. Right to Sue Without Delay
Table I.
Long-Term Financing

(UNDER DISCUSSION)
Table II.
Seasonal Financing

(UNDER DISCUSSION)
Table III

State Legislation

1. EFCB must require balanced budgets in accordance with the State Comptroller Uniform System of Accounts, subject to the exceptions for phaseout of the capitalized expenditures ($450 million, $300 million, $150 million) and cash accounting for pension accruals prior to June 30, 1982 as part of its requirements for approving the Financial Plan. Conforming changes to be made in the MAC legislation as required.

2. EFCB must be authorized to appoint officers and employees of financial institutions and independent public accountants to the audit committee; audit committee must be created.

3. EFCB must be authorized to review the proposals of the productivity council; productivity council must be created.

4. Coinsurance fund must be created -- presumably under the aegis of MAC.

5. Home Rule and other steps required to support the validity of the EFCB legislation.


7. The Local Finance Law shall contain statutory authorization for:

   (a) The City to issue covenants to the Federal government in connection with any guarantees of City debt as to deposits into the general debt service fund, compliance with the provisions of the EFCB Act and other provisions of State law and the City Charter, furnishing of financial information, conditions
which give rise to an event of default and such other covenants to which the City shall agree with the Federal government.

(b) The Federal government to bring suit in state or federal courts to require the City to comply with any covenants made to it by the City, and to enforce the obligation of the City to assess, levy and collect taxes adequate to repay any of its debt which is guaranteed or owed to the United States under the Agreement to guarantee or to seek such other judicial relief as may be appropriate to enforce its rights.

(c) The Federal government to accelerate any obligation which it has guaranteed upon the occurrence of an event of default thereunder.

(d) The faith and credit of the City to be pledged to the repayment of any amounts owed to the Federal government under the Guarantee agreement.

8. Unless Bond Council indicates such legislation is not necessary, the Federal government will be authorized to bring suit in State or federal courts to enforce the obligations of the State under the Agreement to Guarantee (including the Section 10-a of the EFCB Act), to require the EFCB to exercise the powers provided in the EFCB Act and to comply with its obligations under the Agreement to Guarantee and to require the City to
comply with the EFCB Act, other provisions of State law relating to budgetary practices or financing and the covenants provided to the Federal government in the Agreement to Guarantee and the Financing Agreement. Officials of the City, State, MAC and EFCB will also be subject to suit.

9. The trustees of the pension funds will receive an appropriate indemnity to permit them to invest in City or MAC securities.

10. Adequate bonding authority will be provided to the City to enable it to issue the bonds contemplated by the financing plan.

11. The Governor will be authorized to covenant in the agreement to guarantee as to the level of State assistance to the City with respect to guarantees issued after June 30, 1979.

12. Title 6A and the authorization to file a Federal bankruptcy proceeding shall be repealed.

13. Other technical amendments to the EFCB legislation requested.