ADHERENCE AGREEMENT

November 15, 1978

To each of the Purchasers
    Referred to Below

Dear Sirs:

The City of New York (the “City”) has been advised that the Municipal Assistance Corporation For The City of New York (the “Corporation”) is prepared to enter into a Bond Purchase Agreement dated as of the date hereof (the “Bond Purchase Agreement”) with each of the Purchasers named in Schedule I thereto (the “Purchasers”) pursuant to which the Purchasers will agree, severally, to purchase $1,799,700,000 in aggregate principal amount of the Corporation’s bonds (the “Bonds”) to be issued pursuant to its Second General Bond Resolution adopted November 25, 1975, as supplemented and amended from time to time. The Purchasers have required that this Agreement be executed and delivered as an essential condition to their entering into the Bond Purchase Agreement.

In order to induce the Purchasers to enter into the Bond Purchase Agreement and to purchase the Bonds pursuant to the terms thereof, the City hereby agrees as follows with and for the benefit of each of the Purchasers:

SECTION 1. Representations and Warranties. The City hereby represents and warrants that:

1.1. Authorization; Validity and Enforceability. The execution, delivery and performance of this Agreement has been duly authorized. This Agreement has been duly executed and delivered by the City and constitutes a valid and legally binding agreement of the City. The City is subject to suit by the Purchasers to enforce the City’s obligations under this Agreement.

1.2. No Conflict, etc. The execution, delivery and performance of this Agreement will not conflict with or constitute on the part of the City a breach of, or a default under, any law, ordinance, regulation, decree or order existing on the date as of which this representation and warranty is made, the City Charter, or (to the best of the knowledge of the City, after due investigation) any resolution, agreement, indenture, mortgage, lease or other instrument to which the City is subject or by which it is bound.
1.3. **Governmental Approvals.** No authorization, consent or approval of, or filing or registration with, any legislative body or other governmental official, department, commission, board, bureau, agency, instrumentality, body or public benefit corporation which has the jurisdiction and power to take the action it purports to take (a "Governmental Authority") or court is or will be necessary, under requirements of law existing on the date as of which this representation and warranty is made, for the valid execution, delivery or performance by the City of this Agreement, or, if necessary, such authorization, consent, approval, filing or registration has been duly obtained or made.

1.4. **Pending or Threatened Litigation.** There is no action, suit, proceeding or investigation before or by any court or Governmental Authority pending or (to the best of the knowledge of the City) overtly threatened against the City or (to the best of the knowledge of the City, no independent investigation having been made) any other person wherein an unfavorable decision, ruling or finding would have any of the effects described in clause (a), (b) or (c) of Section 2.9 of the Bond Purchase Agreement; except any such action, suit, proceeding or investigation (or any action, suit or proceeding which may be brought with respect to the subject matter of any such investigation) (i) which is referred to in Schedule IV to the Bond Purchase Agreement, or (ii) wherein an unfavorable decision, ruling or finding would have any of the effects described in (a), (b) or (c) of the Bond Purchase Agreement, but which is referred to in a certificate of the Chairman of the Corporation delivered on the Closing Date as of which this representation and warranty is made to the Purchasers and to each of the counsel delivering opinions pursuant to Section 3.12(b) and (e) thereof.

1.5. **No Sovereign Immunity.** In any proceeding by a Purchaser to enforce any of the obligations of the City under this Agreement in a court of competent jurisdiction, the City does not have and agrees not to assert the defense of sovereign immunity and consents to the initiation of any such proceedings.

1.6. **FCB Act.** The New York State Financial Emergency Act for The City of New York, as amended from time to time (the "FCB Act"), has been validly enacted and is in full force and effect. The pledge and agreement of the State of New York (the "State") in Section 3 hereof is duly authorized pursuant to Section 10-a.3 of the FCB Act.

1.7. **Certificates to Constitute Representation and Warranty of the City.** Any certificate signed by any official of the City and delivered to the Purchasers
pursuant to the Bond Purchase Agreement shall be deemed a representation and warranty by the City to each of the Purchasers as to the accuracy of the statements therein made.

SECTION 2. Covenants of the City. The City hereby covenants and agrees that:

2.1. Compliance with FCB Act. It will comply with (a) the provisions of the FCB Act applicable to the City, as the FCB Act may be amended from time to time without violation of the State Covenant and (b) the City's then current four-year financial plan, together with any modifications thereof, prepared pursuant to the FCB Act and approved or formulated by the New York State Financial Control Board (the "Control Board") for the City pursuant to the FCB Act.

2.2. Debt Service Fund and Short-Term Borrowing. It will comply with the provisions of Sections 9-a and 9-b of the FCB Act, and all definitions in Section 2 of the FCB Act applicable to Sections 9-a and 9-b, as in effect on the date hereof; provided, however, that it may instead comply with the provisions of any amendments to such Sections and definitions after the date hereof, that are consistent with the State Covenant, to the following extent:

(i) The City may act in accordance with an amendment to the definition of "Available Tax Levy" or Section 9-a.2 of the FCB Act if such amendment is consistent with the objectives, as reflected in Section 9-a of the FCB Act as in effect on the date hereof, that all monthly debt service, within the meaning of Section 9-a.2.a of the FCB Act as in effect on the date hereof, will be funded from actual collections of real estate taxes and assessments held in a separate account without commingling with other revenues and that such funding will occur in advance of such monthly debt service payments;

(ii) The City may renew tax anticipation notes to mature on the earlier of (A) the expected date of collection of the taxes or assessments in respect of which such notes were issued or (B) 20 days after the end of the fiscal year of the City (a "fiscal year") in which such notes were issued, to the extent such taxes or assessments are properly accrued in the fiscal year in which such notes were issued in accordance with generally accepted accounting principles ("GAAP");

(iii) The City may issue revenue anticipation notes with a maturity within four months after the fiscal year in which they were issued to the
extent (A) there is a change in the timing pattern for revenues of the City after the date hereof, (B) the revenues in respect of which such notes were issued are properly accrued in the fiscal year such notes were issued in accordance with GAAP and (C) the amount of any such revenues is included in the then current Financial Plan (as defined in the Bond Purchase Agreement); and

(iv) The City may renew, for two additional successive periods not to exceed 6 months each, bond anticipation notes which have been renewed once, to the extent that within 60 days before each such additional renewal, the City concluded in writing, and the Financial Advisor concurred in writing, that a sufficient principal amount of bonds of the City or the Corporation cannot be sold in the general public market for municipal securities. For purposes hereof the term “Financial Advisor” shall mean Dillon, Read & Co. Inc. or such other investment banking firm, financial institution or individual of national reputation with expertise in municipal finance, acceptable to the Purchasers, which has been retained by the City to advise it concerning its financial affairs.

2.3. Reports Under Guarantee Agreement. Each report, statement, certificate or other document delivered pursuant to the Agreement to Guarantee (as defined in the Bond Purchase Agreement) will be made available by the City for inspection by any Purchaser and, upon and in accordance with the written request of any Purchaser, a copy of each such report, statement, certificate or document will be delivered to such Purchaser concurrently with the delivery thereof pursuant to the Agreement to Guarantee (or, if previously delivered pursuant to the Agreement to Guarantee, promptly upon receipt of such request).

SECTION 3. Covenant of the State. In accordance with the provisions of Section 10-a.3 of the FCB Act, the City hereby includes in this Agreement the pledge and agreement of the State that the State will take no action that would impair the power of the City to comply with or perform its obligations under this Agreement or any right or remedy of the Purchasers to enforce the City’s obligations under this Agreement.

SECTION 4. Miscellaneous.

4.1. Notices. All communications hereunder, if sent to the City, shall be addressed to the Mayor of the City, City Hall, New York, New York 10007, with a copy to the Comptroller of the City, Room 530, Municipal
Building, New York, New York 10007, or at such other address as the City shall hereafter notify each of the Purchasers in writing; and if sent to any Purchaser, shall be addressed as provided in Schedule I to the Bond Purchase Agreement, with a copy to Davis Polk & Wardwell, 1 Chase Manhattan Plaza, New York, New York 10005, or at such other address or to such other firm as such Purchaser shall hereafter advise the Corporation pursuant to Section 5.1 of the Bond Purchase Agreement. Any such notice shall be deemed to have been given when delivered or received by mail, or when both telephoned, telecopied, telegraphed or telexed and confirmed in writing by being mailed postage prepaid. Notwithstanding the foregoing to the contrary, until otherwise requested by the Purchaser in question, the City may deliver reports, statements, certificates or other documents pursuant to Section 2.3 by delivering sufficient quantities for each commercial bank to The New York Clearing House, 100 Broad Street, New York, New York 10004, Attention: Executive Vice President, sufficient quantities for each savings bank to the Savings Banks Association of New York State, 200 Park Avenue, New York, New York 10017, Attention: Director Community Development and Housing Finance, sufficient quantities for each insurance company to the Life Insurance Council of New York, Incorporated, 630 Fifth Avenue, New York, New York 10020, Attention: President, and sufficient quantities for each pension fund to the Third Deputy Comptroller of the City, Room 707, Municipal Building, New York, New York 10007.

4.2. Expenses. The Purchasers shall not be responsible for the City's expenses in connection with this Agreement and the Bond Purchase Agreement, including the fees and disbursements of the City's bond counsel.

4.3. Parties in Interest. This Agreement shall be legally binding upon the City, and inure solely to the benefit of the Purchasers (and any of their affiliates owning Bonds), and their respective successors, and no other person, partnership, association, corporation or governmental entity shall have or acquire any right under or by virtue of this Agreement. No purchaser of Bonds from any Purchaser shall be deemed to be a successor merely by reason of such purchase.

4.4. Amendments, Consents, Waivers. No failure or delay by any of the Purchasers in exercising any right, power or privilege hereunder or under any document or instrument contemplated hereby shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
None of the provisions of this Agreement may be modified or amended, nor may compliance therewith be waived, without the written consent required under Section 5.11(b) of the Bond Purchase Agreement for a modification, amendment or waiver of Section 4 of the Bond Purchase Agreement; the provisions of Section 5.11(c) and (f) shall be applicable to any such consent.

4.5. *Representations and Warranties to Survive Delivery.* All representations and warranties of the City hereunder or pursuant to the Bond Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Purchasers, and shall survive delivery of the Bonds to the Purchasers.

4.6. *Separability.* In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

4.7. *Headings.* The headings of Sections in this Agreement are inserted for convenience only and shall not be deemed to be part of this Agreement.

4.8. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

4.9. *Term of Agreement.* This Agreement shall become effective simultaneously with the initial purchase of Bonds pursuant to the Bond Purchase Agreement. The term of this Agreement shall be from the effective date hereof until the earlier of (a) any termination by amendment pursuant to Section 4.4 or (b) the principal of and premium, if any, and interest on the Bonds are paid in full or duly provided for.

**The City of New York**

Approved as to form:

**Allen G. Schwartz**
Allen G. Schwartz, Corporation Counsel

By **Edward I. Koch**
Edward I. Koch,
Mayor

By **Harrison J. Goldin**
Harrison J. Goldin,
Comptroller
City of New York Guaranteed Bond Purchase Agreement for up to $1,650,000,000 of Bonds of the City of New York dated as of November 15, 1978

Conformed Copy
THE CITY OF NEW YORK

GUARANTEED BOND PURCHASE AGREEMENT

For up to $1,650,000,000 of Bonds
of The City of New York

As of
November 15, 1978
# Guaranteed Bond Purchase Agreement

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GUARANTEED BOND PURCHASE AGREEMENT

AGREEMENT dated as of November 15, 1978 by and among The City of New York (the "City"), each of the undersigned City pension funds (the "City Pension Funds"), each of the undersigned New York State pension funds (the "State Pension Funds"), and the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary"). The City Pension Funds and the State Pension Funds are herein collectively referred to as the "Pension Funds."

SECTION 1. Purchase of Bonds; Guarantees; Terms of Bonds; Closings.

1.1 Purchase of Bonds. In reliance on the representations and warranties of the City and of the United States, and in reliance on the Guarantees (as defined below) to be issued by the United States which are an integral and essential condition to the purchase of bonds under this Agreement, the Pension Funds hereby agree, severally and not jointly, to purchase during the 1979, 1980, 1981 and 1982 fiscal years (references to a "fiscal year" being to the fiscal year of the City ending June 30 in the calendar year indicated) $1,650,000,000 aggregate principal amount of serial bonds of the City (the "Bonds") or such lesser amount as the City shall request. The maximum principal amount of Bonds that each Pension Fund shall be obligated to purchase in each such fiscal year is set forth in Schedule I hereto, except that such amount may be increased pursuant to paragraph 1.4 or paragraph 4.9 of this Agreement.

1.2 Guarantees. At the time of each purchase hercunder, the United States will irrevocably and unconditionally guarantee the payment when due of the principal of and interest on each Bond pursuant to the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the "Guarantee Act"). Each such guarantee shall be evidenced by the execution and delivery by the Secretary of a guarantee which is substantively identical to and substantially in the form of Exhibit A hereto (the "Guarantee"). The validity of each such Guarantee shall be incontestable in the hands of the holder, except for fraud or material misrepresentation on the part of the holder. The Guarantee shall automatically terminate with respect to any Bond which is sold or otherwise disposed of by any Pension Fund (other than to a successor in interest not involving a change in beneficial ownership) and shall terminate in accordance with the provisions of paragraph 8.4 of this Agreement.

1.3 Terms of Bonds.

(a) General Obligation Serial Bonds. The Bonds shall be general obligation serial bonds of the City issued pursuant to the Charter of the City
and the laws of the State of New York (the "State"), as such laws may be amended from time to time, for the payment of which the faith and credit of the City shall be pledged.

(b) **Date of Bonds and Interest Payment Dates.** The Bonds shall be dated the Closing Date (as defined below) or a date not more than 30 days prior to such Closing Date. Interest on the Bonds shall be payable semi-annually by check mailed to the addresses of the registered holders thereof as such addresses shall appear in the Bond Register to be maintained at the Office of the Comptroller of the City pursuant to paragraph 2.1 of this Agreement or as otherwise may be agreed between a holder from time to time of the Bonds and the Comptroller of the City; provided, however, that interest on Bonds received in coupon form upon exchange pursuant to Section 2 hereof shall be payable at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 4 New York Plaza, New York, New York, upon presentation and surrender of the applicable coupon.

(c) **Payments of Principal.** The City shall make payments of the principal of each issue of Bonds in annual installments. The first such installment of each issue of Bonds shall be paid not later than 18 months from the date of the Bonds, and no annual installment shall be more than 50% in excess of the smallest prior installment. The principal of the Bonds shall be payable at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 4 New York Plaza, New York, New York, upon presentation and surrender of the Bonds.

(d) **Maturity Dates.** The final annual installment of any Bonds issued in the 1979 fiscal year shall mature not later than the fifteenth anniversary of the date of issuance of such Bonds, and the final annual installment of any Bonds issued in the 1980 fiscal year shall mature not later than the fourteenth anniversary of the date of issuance of such Bonds. In the case of Bonds issued during the 1981 fiscal year or the 1982 fiscal year, the year of the final annual installment shall be determined by mutual agreement between the Secretary and the City after consultation taking into account the financing needs of the City, the bonding authority available to the City and the authority of the Secretary to issue Guarantees under the Guarantee Act, but in no event shall the date of the final annual installment be later than the fifteenth anniversary of the date of issuance of such Bonds; provided, however, that in the event the Secretary and the City do not agree, the date of the final annual installment shall be not later than the fifteenth anniversary nor earlier than the thirteenth anniversary of the date of issuance of the Bonds in the case of Bonds issued during the 1981 fiscal year and not later than fifteenth anniver-
sary nor earlier than the twelfth anniversary of the date of issuance of the Bonds in the case of Bonds issued during the 1982 fiscal year, as may be determined by the Secretary.

(e) **Redemption.** The Bonds shall not be redeemable at the option of the City on or prior to June 30, 1982. Thereafter, the Bonds shall be redeemable in whole or in part on any interest payment date at the option of the City, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, upon at least 30 days’ prior written notice to the holders, at 100% of the principal amount of the Bonds redeemed plus accrued interest to the date of redemption; provided, however, that in the event applicable law permits the redemption of only those Bonds of an issue of Bonds which continue to be guaranteed by the United States but does not require the redemption of any Bonds in the same issue which are no longer guaranteed by the United States (the enactment of which law the City agrees to seek in good faith and with its best efforts), Bonds sold or otherwise disposed of by any Pension Fund (other than to a successor in interest not involving a change in beneficial ownership) shall not be redeemable prior to the eleventh anniversary of their date of issuance. After such eleventh anniversary, the Bonds so sold or otherwise disposed of shall be redeemable in whole or in part on any interest payment date at the option of the City, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, upon at least 30 days’ prior written notice to the holders, at 100% of the principal amount of the Bonds redeemed plus accrued interest to the date of redemption. In the event the City shall have issued a notice of redemption with respect to Bonds then guaranteed by the United States, each Pension Fund agrees that it will not sell or otherwise dispose of the Bonds which are the subject of such notice of redemption from and after the date of such notice unless and until the City shall have failed to redeem such Bonds on the date of redemption specified in the notice of redemption. If notice of redemption shall have been given as stated above, the Bonds to be redeemed shall become due and payable on the redemption date stated in such notice. If any Bond is redeemed in part, upon surrender of the Bond being redeemed, the City shall deliver to the holder a Bond in like form in the principal amount equal to that portion of the Bond so surrendered not being redeemed.

(f) **Form of Bond.** Each Bond shall be registered with respect to principal and interest and shall be in substantially the form set forth in Exhibit B hereto, or in such other form as the City and the purchasers thereof may agree, so long as such Bond is owned by a Pension Fund, and, if exchanged pursuant to Section 2 of this Agreement, shall be either (i) in registered form or (ii) in coupon form in substantially the form set forth in Exhibit B-1 hereto.
(g) **Interest Rate.** The annual rate of interest on the Bonds issued on the initial Closing Date shall be 8.90 per cent. The annual rate of interest on Bonds issued on each Closing Date subsequent to the initial Closing Date shall be calculated as follows:

(i) The annual rate of interest on each Bond to be issued on a Closing Date other than the initial Closing Date shall be determined on the fifth business day immediately preceding the Closing Date and shall be 45 basis points higher than the interest rate, rounded to the nearest .0005, payable on certificates of indebtedness, notes and bonds that mature on the date closest to the Average Life Date (as such term is defined below) of the Bonds issued on such Closing Date, as such interest rate is set forth in the Table of Maximum Interest Rates Payable on United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series subscribed for during the calendar week immediately preceding the date of determination of the interest rate, or if not published for such calendar week, for the most recent calendar week preceding such determination, subject to subparagraph (ii) below. For purposes of this subparagraph and subparagraph (ii) below, the term "Average Life Date" of an issue of Bonds shall mean the date determined by first calculating the average life of such issue expressed in years and computed to three decimal places, by a method prescribed in *Fundamentals of Municipal Bonds* or such other method as may be prescribed by the Public Securities Association, converting the resulting fractional year to whole days, and then counting forward from the date of such Bonds by such number of years and days.

(ii) In the event that the Table referred to in subparagraph (i) above shall not have been published for at least one of the two calendar weeks immediately preceding the date of determination of the interest rate as provided in subparagraph (i) above prior to a Closing Date, the annual rate of interest on Bonds issued on each Closing Date subsequent to the initial Closing Date shall be determined on the fifth business day immediately preceding the Closing Date for such issue and shall be 45 basis points higher than the arithmetical mean, rounded to the nearest .0005, of (A) the Yield of Federal Securities (as such terms are defined below) that mature on the date closest to but prior to the Average Life Date of such issue, (B) the Yield of Federal Securities that mature on the date closest to but later than the Average Life Date of such issue, and (C) the Yield of Federal Securities, if any, that mature on the Average Life Date of such issue. For purposes of this subparagraph, the term "Federal
Security” shall mean a United States Treasury note or bond which is not callable prior to maturity and is not redeemable by its terms in whole or in part prior to maturity by operation of a sinking fund, provided that there shall also be excluded from such definition (x) any note or bond which is of the type generally known as a “flower bond” and (y) every United States Treasury note or bond which, on the date of the determination required to be made by this subparagraph, or at any time during the 20-business day period immediately preceding such date, is offered for sale to the public at a price less than 90 per cent or more than 110 per cent of the principal amount thereof as published in The Wall Street Journal or, if such newspaper shall cease to publish such information, published in such other newspaper of general circulation in the City to be agreed upon by the City and the purchasers of Bonds to be issued on such Closing Date. For purposes of this subparagraph, the term “Yield” shall mean the average of the yields to maturity at the close of business on each of the 20 business days immediately preceding the fifth business day prior to the Closing Date, as determined by the Federal Reserve Bank of New York and published in The Wall Street Journal or, if such newspaper shall cease to publish such information, published in such other newspaper of general circulation in the City to be agreed upon by the City and the purchasers of Bonds to be issued on such Closing Date.

1.4 Closings.

(a) Definition. Each date on which Bonds are purchased hereunder, including dates on which purchases take place in accordance with paragraph 1.4(c) and paragraph 4.9(b), shall be referred to as a “Closing Date.” Each closing hereunder shall take place at the Office of the Comptroller of the City at 11:00 o’clock in the forenoon on the Closing Date, or at such other time on such date and at such other place in the Borough of Manhattan as the City and the Secretary may determine.

(b) Schedule of Closing Dates. The City shall sell $200,000,000 aggregate principal amount of the Bonds on the initial Closing Date which shall be November 1, 1978. During the remainder of the 1979 fiscal year, there shall be two additional Closing Dates; on February 15, 1979 the City shall sell $150,000,000 aggregate principal amount of Bonds and on May 24, 1979 the City shall sell $150,000,000 aggregate principal amount of Bonds. Prior to the beginning of each subsequent fiscal year, the City shall deliver to each of the Pension Funds a schedule setting forth the Closing Dates for such fiscal year, including the aggregate principal amount of Bonds to be pur-
chased by each Pension Fund on each Closing Date. Notwithstanding the foregoing, the City shall give at least 30 days' prior written notice to each of the Pension Funds of any Closing Date scheduled to occur within the first 30 days of any fiscal year.

(c) Adjournments. (i) The City may adjourn, by oral notice to each Pension Fund given prior to 5:00 P.M. on the scheduled Closing Date, confirmed in writing within 24 hours after such oral notice, the purchase of Bonds by any such Pension Fund or Pension Funds on any scheduled Closing Date in the event that the Secretary shall refuse to issue Guarantees to any such Pension Fund or Pension Funds with respect to Bonds to be purchased on such scheduled Closing Date. In addition, the City may adjourn, by 30 days' prior written notice to each City Pension Fund, the purchase of Bonds by the City Pension Funds on any scheduled Closing Date in the event that the City determines in its judgment that actual or projected expenditures for capital purposes do not warrant the sale of Bonds to the City Pension Funds on such scheduled Closing Date. Any notice given by the City pursuant to this paragraph shall state the date to which the purchase of Bonds shall be adjourned. Any purchase of Bonds adjourned under the first or second sentence of this paragraph 1.4(c) may be further adjourned from time to time in the manner and for the reasons set forth in the first sentence of this paragraph 1.4(c). (ii) Notwithstanding the foregoing, the purchase of Bonds originally scheduled on a Closing Date in one fiscal year shall not be adjourned beyond June 30 of the next succeeding fiscal year and in no event shall any purchase of Bonds be adjourned to a date beyond June 30, 1982; except that any purchase of Bonds which is adjourned with respect to any City Pension Fund because the Secretary has refused to issue Guarantees to such Pension Fund solely by reason of the wrongful failure of such Pension Fund to purchase bonds scheduled to be issued by The Municipal Assistance Corporation for The City of New York ("MAC") at a closing scheduled pursuant to the Bond Purchase Agreement dated as of November 15, 1978 (the "Bond Purchase Agreement") by and among MAC, certain commercial banks, savings banks and insurance companies, and the City Pension Funds at which closing the other City Pension Funds have purchased MAC bonds in accordance with the Bond Purchase Agreement may be adjourned beyond June 30 of the next succeeding fiscal year, but in no event beyond June 30, 1982. Within 60 days following a final determination that the failure by such City Pension Fund to purchase the MAC bonds was wrongful, the City shall deliver to such City Pension Fund a schedule setting forth the Closing Date, or Closing Dates, and the amount, or amounts, of such Bonds to be purchased by such City Pension Fund. The annual rate of interest on
Bonds to be issued on an Adjourned Closing Date (as such term is defined below) or on a Closing Date scheduled pursuant to paragraph 4.9(b) shall be determined on the fifth business day immediately preceding such Closing Date and shall be calculated as provided in paragraph 1.3(g).

(d) Number of Closing Dates and Amounts to be Purchased. The City shall determine the number of Closing Dates to be scheduled during a fiscal year, provided, however, that in no event shall there be more than four Closing Dates, including Closing Dates on which adjourned purchases are consummated (an "Adjourned Closing Date") and including Closing Dates scheduled pursuant to paragraph 4.9(b), during any one fiscal year, and the City may in its discretion schedule one Closing Date in any fiscal year for purchase of all the Bonds to be purchased in such fiscal year. On each Closing Date, except an Adjourned Closing Date, at least $50,000,000 aggregate principal amount of Bonds shall be scheduled to be purchased, provided that in no event shall the State Pension Funds or the City Pension Funds be scheduled to purchase, severally as provided in Schedule I, in the aggregate for each such group of Pension Funds less than $25,000,000 aggregate principal amount of Bonds on any Closing Date, including an Adjourned Closing Date. On the initial Closing Date, the City Pension Funds shall purchase, severally as provided in Schedule I, an aggregate of $50,000,000 principal amount of Bonds and the New York State Teachers' Retirement System shall purchase $150,000,000 principal amount of Bonds. On each subsequent Closing Date in the 1979 fiscal year, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the City Pension Funds shall purchase, severally as provided in Schedule I, an aggregate of two-thirds of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date and the Comptroller of the State, as Trustee for the New York State Common Retirement Fund, shall purchase one-third of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date. In each fiscal year thereafter, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the City Pension Funds shall purchase, severally as provided in Schedule I, in the aggregate on each Closing Date 50 per cent of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date. In the 1980 fiscal year, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the Comptroller of the State, as Trustee for the New York State Common Retirement Fund, shall purchase on each Closing Date 50 per cent of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date, and in the 1981 and 1982 fiscal years, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the State Pension Funds shall purchase, severally as provided in Schedule I,
in the aggregate on each Closing Date 50 per cent of the aggregate principal amount of the Bonds so scheduled to be purchased on such Closing Date, of which 60 per cent shall be purchased by the Comptroller of the State, as Trustee for the New York State Common Retirement Fund, and 40 per cent shall be purchased by the New York State Teachers' Retirement System. Notwithstanding the foregoing, (i) if Bonds scheduled to be purchased by a Pension Fund in one fiscal year are scheduled to be purchased in a subsequent fiscal year because of the adjournment of a Closing Date pursuant to paragraph 1.4(c) or paragraph 4.9, the amounts so scheduled to be purchased shall be added, without regard to the percentages set forth above, to the amount of Bonds scheduled in accordance with this paragraph 1.4(d) to be purchased in the subsequent fiscal year by such Pension Fund and (ii) if the scheduled purchase of Bonds by the City Pension Funds on any Closing Date is adjourned without a corresponding adjournment of the scheduled purchase of Bonds by the State Pension Fund or Funds scheduled to purchase Bonds on such Closing Date, then on any such Adjourned Closing Date, the City Pension Funds shall purchase the Bonds which were the subject of the adjournment, severally as provided in Schedule I.

(e) **Purchase Price.** The purchase price for the Bonds shall be paid in New York Clearing House funds and shall be equal to 100% of the principal amount of the Bonds to be purchased plus accrued interest from the date of such Bonds to the date of purchase (such period not to exceed 30 days).

(f) **Interim Bonds.** The City, at its own expense, shall prepare, execute and deliver the Bonds in definitive form, and such Bonds shall be lithographed or printed on steel-engraved borders, provided that the City may execute and deliver on any Closing Date one or more interim Bonds pending the delivery of the Bonds in definitive form. Such interim Bonds shall be of substantially the same form and tenor as the definitive Bonds, with such omissions, insertions and variations as may be appropriate to interim Bonds, except that such interim Bonds shall also provide that they are exchangeable without any expense to the holder at the Office of the Comptroller of the City when the Bonds in definitive form are available for delivery. Bonds in definitive form shall be available no later than sixty (60) days following the Closing Date.

(g) **Breach by One Pension Fund.** It is agreed by the parties hereto that the breach of this Agreement by any one Pension Fund shall not be deemed to be a breach by any other Pension Fund if such other Pension Fund is in compliance with its obligations hereunder.
SECTION 2. Transfer and Exchange of Bonds.

2.1 Transfer of Bonds. The Bonds, including Bonds obtained upon an exchange pursuant to paragraph 2.2 below (unless such Bonds are in coupon form), shall be transferable at the Office of the Comptroller of the City, where a Bond Register shall be maintained, and no sale or other disposition of any Bond shall be effective until such transfer is entered upon the Bond Register, at which time, if the Bond was guaranteed by the United States immediately prior to such transfer, the City and the Pension Fund making such transfer shall give written notice to the Secretary of such sale or other disposition of such Bond; provided, however, that any sale or other disposition of any Bond by a Pension Fund (other than to a successor in interest not involving a change in beneficial ownership) shall cause the Guarantee of the United States with respect to the payment of principal of and interest on such Bond to terminate pursuant to the terms of the Guarantee; and provided further, that Bonds in coupon form received upon an exchange pursuant to paragraph 2.2 below shall be negotiable and transferable by delivery. The Secretary and each of the Pension Funds shall have the right, during normal business hours and upon reasonable notice to the City, to review the Bond Register with respect to the sale or other disposition of any Bond as to which a Guarantee is or was in effect.

2.2 Exchange of Bonds. In connection with the sale or other disposition of all or a portion of any Bond, Bonds registered in the name of a Pension Fund may be exchanged at any time at the request of such Pension Fund for Bonds either (a) registered as to principal and interest and substantially in the form of the Bonds originally issued and in a like aggregate principal amount in smaller denominations, provided, however, that such Bonds shall be in minimum denominations of $25,000 and in integral multiples of $1,000 for denominations in excess thereof, or (b) in coupon form in substantially the form of Exhibit B-1 hereto, and in like aggregate principal amount in denominations of $1,000 or $5,000; provided, however, that if applicable law has been changed as set forth in paragraph 1.3(c) Bonds issued upon exchange shall reflect such change in law. Bonds to be exchanged shall be surrendered at the Office of the Comptroller of the City and shall be accompanied by a written request for such exchange by an authorized person, specifying the denominations and number of the Bonds to be delivered in exchange for the Bonds surrendered and whether such Bonds should be in registered or coupon form. No charge shall be made to any Pension Fund which exchanges its Bond or Bonds pursuant to this paragraph 2.2. A Bond or Bonds registered in the name of a Pension Fund received upon an exchange
pursuant to this paragraph 2.2 shall not be deemed to be a Bond or Bonds received in a sale or other disposition of any Bond or Bonds for purposes of paragraph 2.1 of this Agreement.

Section 3. Representations and Warranties.

3.1 Representations and Warranties of the City. The City hereby represents and warrants to each Pension Fund that:

(a) The City is validly existing as a municipal corporation under the laws of the State, including the State Constitution, with the right and power to execute, deliver and perform its obligations under this Agreement, and to issue the Bonds.

(b) When delivered to and paid for by the Pension Funds, the Bonds will have been duly authorized, executed and delivered and will constitute valid and legally binding obligations of the City, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws applicable to the enforcement of creditors’ rights or may be affected by the valid exercise of the police powers of the State, and the faith and credit of the City will be irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. All of the real property within the City subject to taxation by the City will be subject to the levy of ad valorem taxes without limitation as to rate or amount to pay principal of and interest on the Bonds.

(c) The City is authorized to enter into this Agreement and perform its obligations hereunder, and this Agreement has been duly executed and delivered by the City and constitutes a valid and legally binding agreement of the City in accordance with its terms. The City is subject to suit on this Agreement.

(d) The City has been duly authorized to include as a term of the Bonds the pledge and agreement of the State as set forth in paragraphs 6.1 and 6.2 of this Agreement. The Bonds delivered pursuant to this Agreement will contain such pledge and agreement of the State.

(e) The City will not use the proceeds of the Bonds in a manner which would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended (the “Code”), and the applicable regulations from time to time promulgated or proposed thereunder.
(f) The issuance of the Bonds and the execution, delivery and performance of this Agreement and the Bonds by the City and compliance with the provisions hereof and thereof do not and will not conflict with, or constitute on the part of the City a breach of, or a default under, any existing law, charter, ordinance, regulation, decree, order or resolution, or (to the best of the knowledge of the City, after due investigation) any agreement, indenture, mortgage, lease or other instrument to which the City is subject or by which it is bound.

(g) No authorization, consent or approval of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality is or will be necessary under existing law for the valid execution, delivery or performance by the City of this Agreement, or the Bonds, or, if necessary, such authorization, consent, approval, filing or registration has been duly obtained or made prior to the execution of this Agreement or the issuance of the Bonds, as the case may be.

3.2 **Representations and Warranties of the United States.** The United States hereby represents and warrants to each Pension Fund that:

(a) This Agreement has been duly authorized, executed and delivered on behalf of the United States.

(b) The United States is subject to suit by each Pension Fund under existing law to enforce any Guarantee issued to such Pension Fund.

3.3 **Representations and Warranties of the Pension Funds.** Each of the Pension Funds hereby severally represents and warrants to the City and to the United States that:

(a) This Agreement has been duly authorized, executed and delivered on behalf of such Pension Fund.

(b) This Agreement constitutes a valid and legally binding agreement of such Pension Fund in accordance with its terms.

**SECTION 4. Closing Conditions.**

The obligations of each Pension Fund to purchase Bonds hereunder shall be subject to the satisfaction, on each Closing Date, of the following conditions:
4.1 Aggregate Amounts. On the initial Closing Date, each of the Pension Funds scheduled to purchase Bonds shall purchase the Bonds scheduled to be purchased by it on such Closing Date. On each subsequent Closing Date, at least 90 per cent in aggregate principal amount of Bonds scheduled pursuant to this Agreement to have been purchased by the Pension Funds prior to such Closing Date shall have been purchased by the Pension Funds, and on such Closing Date at least 80 per cent in aggregate principal amount of Bonds scheduled to be purchased by the Pension Funds shall be purchased. For purposes of this paragraph, where the purchase of any Bonds has not been consummated as a result of the operation of paragraph 4.9 or has been adjourned pursuant to paragraph 1.4(c), such Bonds shall be excluded from the calculations required by this paragraph, except that, after the Adjourned Closing Date for the purchase of such Bonds or after the Closing Date scheduled pursuant to paragraph 4.9(b), the Bonds so excluded shall be included in such calculations unless there is subsequently an adjournment of the purchase of such Bonds pursuant to paragraph 1.4(c).

4.2 Legislation and Agreement in Effect.

(a) This Agreement shall be in full force and effect, with such modifications, amendments and waivers as may have been made by the parties hereto.

(b) The Guarantee Act, the Federal appropriations act in connection with the Guarantee Act, Public Law 95-415 (the "Federal Appropriations Act"), Chapter 890 of the Laws of 1975 of the State, as amended by Chapter 448 of the Laws of 1978 of the State ("Chapter 890"), an act in relation to the tax treatment of specified transactions by New York public employee retirement systems, Public Law 95-497 (the "Pension Legislation"), and subdivision four of Section 10-a of the New York State Financial Emergency Act for The City of New York (the "Act"), each as in effect on the date of this Agreement, shall be in full force and effect and, since the date of this Agreement, shall not have been amended or modified in any respect which materially adversely affects (i) the ability of the Secretary to issue Guarantees, (ii) the ability of the City to satisfy the requirements of this Agreement or to issue the Bonds, or (iii) the ability of the City and State Pension Funds to purchase the Bonds or the qualified status of the City or State Pension Funds under Section 401(a) of the Code. Neither the Senate nor the House of Representatives of the Congress of the United States shall have agreed to any resolution referred to in Section 104(a) of the Guarantee Act stating in substance that it disapproves of any part of the Guarantees to be provided under such Act.
(c) Each Pension Fund purchasing Bonds on such Closing Date shall have received an executed copy of a certificate of an Assistant Secretary of the Treasury, dated the Closing Date, to the effect that attached to such certificate are true and complete copies of the Guarantee Act and the Federal Appropriations Act, and any amendments thereto, except that subsequent to the initial Closing Date for each Pension Fund, such certificate shall be to the effect that (i) there have been no amendments to such statutes since the most recent certificate furnished to each such Pension Fund pursuant to this paragraph 4.2(c), or (ii) attached to such certificate are true and complete copies of each amendment to such statutes since the most recent certificate furnished to each such Pension Fund pursuant to this paragraph 4.2(c).

4.3 No Prohibited Transactions. The purchase of Bonds scheduled to be purchased by a City Pension Fund on a Closing Date shall not cause such City Pension Fund to be considered to fail to satisfy the requirements of Section 401(a) of the Code, or to have engaged in a prohibited transaction described in Section 503(b) of the Code. Unless the Internal Revenue Service shall have determined that a City Pension Fund has engaged in a prohibited transaction in connection with the purchase of obligations of the City or MAC made since August 20, 1975, or the Secretary or his delegate shall have given notification pursuant to Section 3(a) of the Pension Legislation, this condition shall be deemed to be satisfied on such Closing Date with respect to each City Pension Fund purchasing Bonds on such Closing Date if the following requirements are met:

(a) Prior to the execution of this Agreement, or of any modification, amendment or waiver of the provisions hereof, as contemplated by Section 1(c) of the Pension Legislation, each City Pension Fund shall have notified the Secretary of the proposed Agreement, modification, amendment or waiver, as the case may be, and within 60 days after the date of submission of such Agreement, modification, amendment or waiver or such shorter period as the Secretary shall have established, the Secretary shall have advised each City Pension Fund in writing that he does not disapprove the Agreement, modification, amendment or waiver, as the case may be;

(b) On or before such Closing Date, the Secretary has made the determinations contemplated by Sections 2(c) and 2(f) of the Pension Legislation and has notified in writing each City Pension Fund that he has made such determinations;
(c) On such Closing Date, the requirement with respect to the percentage limitations set forth in Section 2(a) of the Pension Legislation (as adjusted below) shall have been met. For purposes of this paragraph 4.3(c), the applicable percentage limitations set forth in Section 2(a) of the Pension Legislation shall each be reduced by three-quarters of one per cent;

(d) On such Closing Date, the requirement with respect to the absence of negative cash flow set forth in Section 2(d) of the Pension Legislation (as adjusted below) shall have been met. For purposes of this paragraph 4.3(d), negative cash flow shall be deemed absent if cash receipts shall exceed cash expenditures (both as determined in accordance with the applicable provisions of the Pension Legislation) by at least three-quarters of one per cent; and

(e) The report contemplated by Section 2(e) of the Pension Legislation to be submitted by each City Pension Fund shall have been submitted by such City Pension Fund to the Secretary and the appropriate committees of the Congress.

Anything herein to the contrary notwithstanding, the Secretary need not have made any determination contemplated by Section 2(c) of the Pension Legislation and the report contemplated by Section 2(e) of the Pension Legislation need not have been submitted on or prior to any Closing Date if the Pension Legislation does not provide that such requirement need be met as of such Closing Date.

4.4 Qualified Status.

(a) The Internal Revenue Service shall not have withdrawn its favorable determination with respect to the qualified status of such Pension Fund under Section 401(a) of the Code, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the City or of MAC made since August 20, 1975 or the entry of the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof.

(b) There shall not be any action, suit or proceeding before any court or Governmental Authority (as such term is defined below) brought by the Federal Government or any agency or department thereof with jurisdiction pending with respect to such Pension Fund, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the City or of MAC made since August 20, 1975 or the entry
by the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof, wherein an unfavorable decision would result in the loss of the qualified status of such Pension Fund under Section 401(a) of the Code. As used in this Agreement the term "Governmental Authority" shall refer to any legislature or governmental official, department, commission, board, bureau, agency, instrumentality or body or public benefit corporation (which has the jurisdiction and power to take the action it purports to take).

(c) Legislation shall not have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States, or an order, rule or regulation (final, temporary or proposed) shall not have been made by any Governmental Authority with the purpose or effect, directly or indirectly, of causing such Pension Fund to lose its qualified status under Section 401(a) of the Code, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the City or of MAC made since August 20, 1975 or the entry by the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof.

4.5 Representations and Warranties; Covenants. The representations and warranties of the City and of the United States contained in this Agreement shall be true and correct on and as of each Closing Date with the same force as though made on and as of such Closing Date, and, except with respect to the initial Closing Date hereunder, the City and the United States each shall have delivered to each Pension Fund purchasing Bonds on such Closing Date a certificate to such effect. The City shall be in compliance with any covenant made by it in this Agreement.

4.6 Opinions of Counsel. There shall be delivered to and for the benefit of each Pension Fund purchasing Bonds on such Closing Date (a) opinions from Rogers & Wells or such other bond counsel to the City acceptable to such Pension Funds (which acceptance shall not be unreasonably withheld), substantially in the forms annexed hereto as Exhibits C and D, together with the letter of such counsel substantially in the form annexed hereto as Exhibit E, and (b) an opinion of the General Counsel of the Department of the Treasury substantially in the form annexed hereto as Exhibit F.

4.7 Guarantee by the United States. The Secretary shall have executed and delivered to each Pension Fund purchasing Bonds on such Closing Date, on behalf of the United States, a Guarantee with respect to each Bond to be
purchased by such Pension Fund, and in no event shall any Pension Fund be obligated under this Agreement to purchase any bonds of the City which are not guaranteed by the United States.

4.8 Arbitrage Certificate. Each Pension Fund purchasing Bonds on such Closing Date shall have received an executed copy of a certificate of an appropriate officer of the City, dated the Closing Date, setting forth sufficient facts, estimates and circumstances to support the conclusion that on the date of issue it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Code, and stating that, to the best of the knowledge and belief of the certifying officer, such facts, estimates and circumstances are reasonable.

4.9 No Adverse Decision.

(a) No decision, ruling or finding shall have been entered by any court or Governmental Authority since the date of this Agreement (and not reversed on appeal or otherwise set aside) (i) which declares the Guarantee Act, the Federal Appropriations Act, the Pension Legislation or subdivision four of Section 10-a of the Act, each as in effect on the date hereof, or Chapter 890 as in effect on the date hereof or as amended to read substantially and in all material respects as printed as Schedule V to the Bond Purchase Agreement, to be invalid or unenforceable as an entirety, or which declares any provision thereof to be invalid or unenforceable if the deletion of such provision by amendment would cause the requirements of paragraph 4.2 not to be satisfied, (ii) which declares the Guarantee Act, the Federal Appropriations Act, the Pension Legislation, subdivision four of Section 10-a of the Act or Chapter 890, as so amended, to be inapplicable to this Agreement or any purchase contemplated hereby, or (iii) to the effect that (A) any purchase or prospective purchase by a Pension Fund of any Bonds pursuant to this Agreement, or (B) the entry into this Agreement by such Pension Fund, has violated or will violate any applicable fiduciary obligation of any trustee, director or officer or any law (whether statutory or otherwise); unless (1) such decision, ruling or finding is stayed pending appeal, and (2) the firm of Rogers & Wells or other counsel reasonably acceptable to the Pension Funds purchasing Bonds on such Closing Date (which acceptance shall not be unreasonably withheld) shall deliver an opinion, addressed and in form and substance reasonably satisfactory to such Pension Funds and dated such Closing Date, to the effect, without qualification, that the decision, ruling or finding of the court
or Governmental Authority having final jurisdiction in the matter will not have any of the effects described in such clauses.

(b) If any Pension Fund shall not purchase any Bonds scheduled to be purchased on a Closing Date as a result of the operation of paragraph 4.9(a) above, and such decision, ruling or finding is subsequently reversed on appeal or otherwise set aside, such Pension Fund shall be obligated to purchase all Bonds which were not purchased on such scheduled Closing Date because of the operation of said paragraph 4.9(a), except that no Pension Fund shall be required to purchase such Bonds subsequent to June 30 of the fiscal year following the fiscal year in which such Closing Date had been scheduled and in no event subsequent to June 30, 1982. Not later than 60 days following the date on which such decision, ruling or finding is reversed on appeal or otherwise set aside, the City shall deliver to such Pension Fund a schedule setting forth the Closing Date, or Closing Dates, and the amount, or amounts, of such Bonds to be purchased by such Pension Fund.

4.10. Expenditure of Proceeds. In the event that not all of the proceeds from any sale of Bonds are to be used to reimburse the general fund of the City for expenditures advanced from the general fund prior to the Closing Date for the purposes for which the Bonds are issued, (a) the City shall furnish to the Secretary and to each City Pension Fund purchasing Bonds on such Closing Date a statement that in the reasonable expectation of the City, which shall take into consideration its experience in making capital expenditures, that the portion of the proceeds not used to reimburse the general fund of the City as set forth above will be expended for such purposes within one year from the Closing Date (except that if the requirements of applicable law or regulations provide that a particular capital project must be financed in its entirety in one financing, then such proceeds may be held by the City for the period required to complete such project which shall be indicated in such statement) and (b) the City shall furnish to the Secretary and to each such City Pension Fund a schedule showing the length of time any proceeds of a prior sale of Bonds not used to reimburse the general fund were held if such proceeds were held for more than one year.

Section 5. Purchase of Bonds by the United States.

If an event of default shall have occurred and be continuing under the Agreement to Guarantee dated as of November 15, 1978 (the “Agreement to Guarantee”), by and among the United States, the State, the City, the New York State Financial Control Board (the “Board”) and MAC, the United
States may purchase, and each Pension Fund agrees to sell, at any time one or more of the Bonds then held by such Pension Fund, as requested by the Secretary upon five days' written notice to such Pension Fund, at 100% of the principal amount thereof plus accrued interest to the date of such purchase. Payments by the United States under this Section 5 shall be made in federal funds at the Federal Reserve Bank of New York on the date specified in the notice.

SECTION 6. Pledge and Agreement of the State.

6.1 In accordance with the provisions of subdivision one of Section 10-a of the Act as in effect on the date of this Agreement, the City hereby includes in this Agreement the pledge and agreement of the State with the United States and with the holders from time to time of Bonds (hereinafter called the “State Covenant”) that the State will not take any action which will (a) substantially impair the authority of the Board during a control period (as such term is defined in subdivision twelve of Section 2 of the Act as in effect on the date of this Agreement) (i) to approve, disapprove or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e, and f of subdivision one of Section 8 of the Act as in effect on the date of this Agreement and paragraph b of such subdivision as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or long-term borrowings of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section 7 of the Act, or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund of City revenues; (b) substantially impair the authority of the Board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the Board so that the majority of the voting members of the Board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the Board prior to the time to be determined in accordance with Section 13 of the Act as in effect on the date of this Agreement; (f) substantially modify the requirement that the financial statements of the City be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that
a report on such audit be furnished to the Board; or (g) alter the definition of a control period set forth in subdivision twelve of Section 2 of the Act, as in effect on the date of this Agreement, or substantially alter the authority of the Board, as set forth in said subdivision to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient monies or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide monies to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all outstanding Bonds and irrevocable instructions from the City to such bank, trust company or other fiduciary for such payment of such principal and interest with such monies shall have been given, or (ii) such Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged.

6.2 In accordance with the provisions of subdivision three of Section 10-a of the Act as in effect on the date of this Agreement, the City hereby includes in this Agreement the pledge and agreement of the State with the holders from time to time of Bonds that the State will not take any action which would impair the power of the City to comply with or perform the covenants made by the City in Section 7 of this Agreement, or any right or remedy of such Pension Fund to enforce such covenants.

6.3 The terms “covered organization” and “board fund”, as used in this Section, have the respective meanings set forth in the Act as in effect from time to time.

SECTION 7. City Covenants.

The City hereby covenants and agrees with each holder from time to time of Bonds that:

(a) The City shall punctually pay the principal of and interest on the Bonds as set forth in the Bonds, and the City shall assess and levy taxes in an amount sufficient to provide for the payment of principal of and interest on the Bonds (after taking into account taxes estimated to be uncollected and all items of City indebtedness then due).

(b) The City shall formulate a financial plan which shall be in the form and contain the information required by the Act, as the Act
may be amended from time to time without violation of the State Covenant, and which is in compliance with the standards set forth in subdivision one of Section 8 of the Act, as the Act may be amended from time to time without violation of the State Covenant. The City shall submit such financial plan (the “Financial Plan”) to the Board and shall formulate and submit to the Board such modifications of the Financial Plan in accordance with the procedures and standards set forth in the Act, as the Act may be amended from time to time without violation of the State Covenant. The budgets of the City at the time of the adoption of the Financial Plan and the operations of the City shall be in compliance with the Financial Plan.

(c) The terms of all contracts entered into by the City and the terms of all borrowings by the City shall be in compliance with the Financial Plan of the City, including any modifications thereof, formulated as provided in paragraph 7(b) above, as the Act may be amended from time to time without violation of the State Covenant. The disbursement of funds by the City shall be in compliance with the Financial Plan of the City, including any modifications thereof, formulated as provided in paragraph 7(b) above.

(d) As required by the Act, as the Act may be amended from time to time without violation of the State Covenant, the City shall maintain a separate fund with the State Comptroller or, subject to the approval of the State Comptroller, with a trust company or bank, for the payment of debt service on bonds or notes of the City.

(e) The City shall comply with the provisions of Sections 9-a and 9-b of the Act, as the Act may be amended from time to time without violation of the State Covenant. The City shall not adopt any criteria providing for the retention of less than all initial real estate tax receipts in the general debt service fund unless the City determines that such criteria are reasonably calculated to provide adequate monies for payment of monthly debt service from real estate tax payments retained in the fund, without the need for additional payments by the City.

(f) The City will keep, or cause to be kept, proper books and records.

(g) The City shall take such action as may be necessary to enable a nationally recognized independent certified public accounting firm or consortium of firms, one of which at least is a nationally recognized independent certified public accounting firm, to perform an annual audit in accordance with generally accepted auditing standards and to furnish to
the Board the report on such audit prepared by such firm or consortium of firms, which report shall include an opinion as to whether the City's financial statements have been prepared in accordance with generally accepted accounting principles, subject to the provisions of Section 8.2-a of the Act, as the Act may be amended from time to time without violation of the State Covenant, and shall state whether the audit of such financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other accounting procedures as were considered necessary under the circumstances.

(h) The City shall comply with lawful actions of the Board.

SECTION 8. Miscellaneous.

8.1 Notices. All communications hereunder shall be in writing and shall be mailed or delivered to the parties hereto at the address set forth opposite the name of each such party in Schedule II hereto or at such other address as any such party shall hereafter advise each of the other parties hereto in writing. Notice shall be deemed to have been given when delivered or, if mailed, when mailed first class, postage prepaid, except that notice that a Closing Date shall be adjourned because of a refusal by the Secretary to issue Guarantees shall be communicated orally to each Pension Fund scheduled to purchase Bonds on such Closing Date no later than 5:00 P.M. on such Closing Date and shall be confirmed in writing delivered to such Pension Fund within 24 hours after such oral notice.

8.2 No Waivers. No failure or delay by any party hereto in exercising any right, power or privilege hereunder or under any document or instrument contemplated hereby shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

8.3 City Pension Fund Covenant. Each of the City Pension Funds hereby covenants for itself to the extent necessary to meet the requirements of the Pension Legislation in accordance with the obligation of each such Pension Fund (a) to use its best efforts to obtain the report referred to in paragraph (c) of Section 4.3, (b) to make the certification to the Secretary contemplated by Section 1(b)(2) of the Pension Legislation, provided, however, that such certification need not be made if (i) the report referred to above cannot be obtained or (ii) the percentage limitation requirements or absence of negative cash flow referred to in paragraphs (c) and (d) of Section 4.3, the
computation as to which shall be prepared by the actuary of each Pension Fund, shall not have been met, in which case a copy of such computation, accompanied by such supporting documentation as the Secretary may reasonably request, shall be delivered to the Secretary, and (c) to deliver the statement required by Section 2(e)(1)(B) of the Pension Legislation in accordance with the provisions of such Section.

8.4 Dejeasance. An issue of Bonds shall be fully defeased and the obligations of the City thereon and hereunder, including the obligation of the City to make future payments of principal and interest with respect to such issue of Bonds, and the obligations of the State as set forth in paragraph 6.2, and the Guarantee of the United States, shall be fully discharged and of no further force and effect at such time as (i) notice of redemption of such issue of Bonds shall have been given in accordance with the terms of such Bonds and (ii) there is on deposit with a bank, trust company or other fiduciary, located in the Borough of Manhattan in the City and with stated capital and surplus in excess of $500,000,000, in a separate trust account, which shall not be reachable by any creditor of said bank, trust company or other fiduciary and which shall be used only for the benefit of the holders of outstanding Bonds of such issue, sufficient monies, or direct obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the principal of and/or interest on which will provide sufficient monies, to pay punctually when due prior to maturity by redemption at the earliest time such issue of Bonds may be redeemed in accordance with their terms (or at maturity if there remain no interest payment dates prior to maturity), all principal of and interest on all outstanding Bonds of such issue and (iii) irrevocable instructions from the City to such bank, trust company or other fiduciary to make such payment of such principal and interest with such monies shall have been given, or at such time as all principal of and interest on all outstanding Bonds of such issue shall have been paid by the City as and when the same shall have become due and payable. No Bonds shall be defeased and no obligation of the City or covenant of the State as aforesaid and no Guarantee of the United States shall be discharged by the operation of this paragraph 8.4 unless all of the requirements of this paragraph 8.4 shall have been met.

8.5 Enforceability by Secretary. The obligations of any Pension Fund under this Agreement 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 in any court of competent jurisdiction of the State of New York in and for the County of New York or the County of Albany.
8.6 Amendments. No modification, amendment, consent or waiver of any provision of this Agreement may be made or given by any Pension Fund without prior written consent of the Secretary.

8.7 Headings. The headings of Sections and paragraphs in this Agreement are inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

8.8 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely in such State.

8.9 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

8.10 Expenses. The City shall pay the fees of and expenses incurred by counsel retained by the Pension Funds and the State in connection with the preparation, execution and delivery of this Agreement and the Agreement to Guarantee.

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed on their behalf by their respective authorized representatives as of the date first above written.

Approved as to Form: 

The City of New York

Allen G. Schwartz
Allen G. Schwartz, Corporation Counsel

By Edward I. Koch
Edward I. Koch, Mayor

By Harrison J. Goldin
Harrison J. Goldin, Comptroller

United States of America

By W. Michael Blumenthal
W. Michael Blumenthal, Secretary of the Treasury
CITY PENSION FUNDS

NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM
By HAROLD E. HERKOMMER
Harold E. Herkommer, Executive Director

TEACHERS' RETIREMENT SYSTEM FOR THE CITY OF NEW YORK
By WALLACE F. SULLIVAN
Wallace F. Sullivan, Executive Director

BOARD OF EDUCATION RETIREMENT SYSTEM FOR THE CITY OF NEW YORK
By JOHN LACARRUBBA
John LaCarrubba, Executive Director

NEW YORK CITY POLICE PENSION FUND, ARTICLE 2
By PATRICK W. LEHANE
Patrick W. Lehane, Chief Administrative Officer

STATE PENSION FUNDS

COMPTROLLER OF THE STATE OF NEW YORK, AS TRUSTEE FOR THE NEW YORK STATE COMMON RETIREMENT FUND
By ARTHUR LEVITT
Arthur Levitt, Comptroller of the State of New York

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
By HARRY L. DUBRIN
Harry L. Dubrin, Assistant Executive Director and Legal Advisor

By EDWARD J. RENO, JR.
Edward J. Reno, Jr., Securities Investment Officer
## SCHEDULE I

**Maximum Commitments of Pension Funds**

References to a fiscal year ("FY") are to the twelve-month period ending June 30 of such year.

<table>
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<tr>
<th></th>
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<tr>
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<tr>
<td>Comptroller of the State</td>
<td>$100,000,000</td>
<td>$125,000,000</td>
<td>$90,000,000</td>
<td>$180,000,000</td>
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<td>of New York, As Trustee</td>
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<td>for the New York State</td>
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<td>Totals for State Pension</td>
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<td>$125,000,000</td>
<td>$150,000,000</td>
<td>$300,000,000</td>
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</tr>
<tr>
<td>Totals for City Pension</td>
<td>$250,000,000</td>
<td>$125,000,000</td>
<td>$150,000,000</td>
<td>$300,000,000</td>
</tr>
<tr>
<td>Funds:*</td>
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</tbody>
</table>

*For each fiscal year and on each Closing Date in a fiscal year, each City Pension Fund shall be scheduled to purchase the percentage listed opposite its name below of the aggregate principal amount of Bonds to be purchased by the City Pension Funds during such fiscal year and on such Closing Date:*

- New York City Employees' Retirement System .................. 49.1%
- Board of Education Retirement System for The City of New York ...... 1.8%
- Teachers' Retirement System for The City of New York ............ 32.9%
- New York City Police Pension Fund, Article 2 .................. 16.2%
SCHEDULE II
Addresses of Parties

If to the City, to

Mayor of The City of New York
City Hall
New York, New York 10007

and to

Comptroller of The City of New York
Room 530
Municipal Building
New York, New York 10007

with copies to

Corporation Counsel
Room 6-A-11
One Hundred Church Street
New York, New York 10007

and to

Deputy Mayor for Finance
Room 1401
250 Broadway
New York, New York 10007

If to the Secretary, to

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

with a copy to

The General Counsel of the Department
of the Treasury
Room 3000
15th Street and Pennsylvania Avenue
Washington, D. C. 20220
If to the New York City Employees' Retirement System, to

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

If to the Teachers' Retirement System for The City of New York, to

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

If to the Board of Education Retirement System for The City of New York, to

Board of Education Retirement System for The City of New York
65 Court Street
Brooklyn, N. Y. 11201
Attention: John La Carrubba
Executive Director

If to the New York City Police Pension Fund, Article 2, to

New York City Police Pension Fund, Article 2
1 Police Plaza
New York, N. Y. 10038
Attention: Paul Dickstein
Deputy Commissioner
If to the Comptroller of the State of New York, as Trustee for the New York State Common Retirement Fund, to

The Comptroller of the State of New York,
as Trustee for the New York State Common Retirement Fund
Alfred E. Smith State Office Building
Albany, New York 12236

If to the New York State Teachers' Retirement System, to

New York State Teachers' Retirement System
143 Washington Avenue
Albany, New York 12210
Attention: Harold Langlitz
EXHIBIT A
Form of Guarantee

GUARANTEE, dated _____________, 19 __, made, pursuant to the New York City Loan Guarantee Act of 1978, Public Law 95-339, 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”).

Pursuant to the terms of this Guarantee, the United States hereby irrevocably and unconditionally guarantees the payment when due of the principal of and interest on those certain bonds of The City of New York (the “City”), bearing the serial numbers, in the principal amounts, and maturing on the dates set forth below, which are registered in the name of the Purchaser, and any definitive or other bonds of the City registered in the name of the Purchaser issued to such Purchaser in exchange therefor pursuant to the Guaranteed Bond Purchase Agreement (as defined below) (the “Guaranteed Bonds”). Payments by the United States hereunder shall be made in federal funds at the Federal Reserve Bank of New York as provided in this Guarantee.

<table>
<thead>
<tr>
<th>Serial Number</th>
<th>Principal Amount</th>
<th>Maturity</th>
</tr>
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</table>

The Purchaser hereby agrees as follows:

1. To give written or telegraphic notice of any failure of the City to pay principal or interest when due on the Guaranteed Bonds to the Secretary at United States Department of the Treasury, 15th Street and
Pennsylvania Avenue, N.W., Washington, D.C. 20220, Attention: Secretary of the Treasury, with a copy to the General Counsel of the Department of the Treasury.

2. Not to demand payment from the United States hereunder unless at least five days shall have elapsed from the date on which the Purchaser shall have given notice to the Secretary that the City has failed to pay when due any of the principal or interest on the Guaranteed Bonds and such failure 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 any Guaranteed Bond prior to or within 30 days of the delivery to the United States of the certificate and the assignment referred to below without the advance written consent of the Secretary.

4. So long as an event of default, as defined in the Agreement to Guarantee (as defined below), 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 100% of the unpaid principal amount thereof and accrued interest thereon to the date of purchase upon not less than five days written notice given by the Secretary 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.

5. No amendment, renewal or extension of any Guaranteed Bond or any modification or waiver of any right of the Purchaser hereunder may be consented to by the Purchaser without the prior written consent of the Secretary.

6. 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.

7. Upon the making of any payment hereunder, the United States shall be subrogated to all the rights of the Purchaser to the extent of the amounts of principal and/or interest for which payment has been made under this Guarantee. Any amounts received by the Purchaser with re-
spect to principal and/or interest for which payment has been made under this Guarantee from any party other than the United States under this Guarantee shall be promptly paid over to the Secretary.

In the event that there shall have been a failure to pay any of the principal of and/or interest on any Guaranteed Bond and such failure shall have continued for five days from the date on which the Purchaser shall have given the Secretary notice of such failure, then the United States shall pay to the Purchaser the unpaid principal amount of and/or interest on such Guaranteed Bond due on such date and interest on the unpaid principal accrued at the stated rate from the date of such failure to pay to the date of payment of such principal. The United States shall make payment hereunder upon the delivery to the United States, c/o The Federal Reserve Bank of New York, Attention: Government Bond and Safekeeping Department of (i) a certificate of 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 (ii) an assignment to the Secretary of all of the Purchaser’s right, title and interest in and to such Guaranteed Bond to the extent of the payments of principal and/or interest for which payment is made under this Guarantee. In the event that the Purchaser shall make delivery of the aforementioned certificate more than 30 days after the date on which a failure to pay any of the principal of or interest on said Guaranteed Bond shall have occurred, then the United States shall pay to the Purchaser the unpaid principal amount of and/or interest on the Guaranteed Bond due on such date and interest on the unpaid principal accrued at the stated rate from the date of such failure to pay only to the 30th day after such failure to pay.

The obligations of the United States under 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) and shall terminate in accordance with the provisions of paragraph 8.4 of the Guaranteed Bond Purchase Agreement (as defined below).

The obligations of the United States hereunder shall be irrevocable and unconditional irrespective of the validity, legality or enforceability of (i) the Guaranteed Bonds, (ii) the Guaranteed Bond Purchase Agreement dated as of November 15, 1978 (the “Guaranteed Bond Purchase Agreement”), by and among the City, certain City pension funds and State pension funds and the United States, (iii) the Agreement to Guarantee dated as of Novem-
November 15, 1978 (the "Agreement to Guarantee"), by and among the United States, the State, the City, the New York State Financial Control Board and MAC, (iv) the Bond Purchase Agreement (as defined in the Agreement to Guarantee), or (v) the Loan Agreement (as defined in the Agreement to Guarantee), or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor, and the full faith and credit of the United States is hereby pledged for the full payment and performance of the obligations of the United States hereunder.

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. Except as otherwise expressly provided herein, 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 Purchaser have signed this Guarantee, on the date first above written.

United States of America

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

Secretary of the Treasury

[Purchaser]

................................

[Address]
EXHIBIT B

Form of Registered Bond

No. $  

SERIAL BOND OF  
THE CITY OF NEW YORK  

Issue of Principal payable 

Authorized Issue $  

THE CITY OF NEW YORK, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to , or registered assigns, the sum of Dollars ($ ), on the day of 19 , and to pay interest thereon from the date of this bond until the principal sum hereof shall be paid, at the rate of per cent ( %) per annum, semi-annually on and in each year. Both principal of and interest on this bond will be paid in such coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The principal of this bond is payable at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 40 Wall Street, New York, New York, and interest on this bond is payable by check mailed to the address of the registered holder hereof as such address appears in the Bond Register maintained at the Office of the Comptroller in The City of New York or by such other means as may be agreed between such holder and the Comptroller.

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

The proceedings authorizing the issuance of the issue of bonds of which this bond is a part contain certain covenants of The City of New York with the holders from time to time of this bond and certain pledges and agreements of the State of New York. Reference is made to such proceedings for a description of the nature and extent of such covenants, pledges and agreements and to the conditions under which such covenants, pledges and agreements may be defeased.
This bond is transferable by the registered holder hereof, in person or by duly authorized attorney, at the Office of the Comptroller in The City of New York, upon surrender and cancellation of this bond, and thereupon a new bond or bonds will be issued to the transferee in exchange herefor.

No transfer of this bond shall be effective until such transfer is entered upon the Bond Register maintained at the Office of the Comptroller in The City of New York. In the hands of the original registered holder only, and in connection with the sale or other disposition of all or a portion of this bond, this bond may be exchanged at any time at the request of such holder for bonds either (a) registered as to principal and interest and in like principal amount in smaller denominations, provided, however, that such bonds shall be in minimum denominations of $25,000 and in integral multiples of $1,000 for denominations in excess thereof; or (b) in coupon form in substantially the form of this bond, but with changes appropriate to coupon bonds, including provisions for the publication of notice in the case of redemption and for the payment of interest upon the presentation and surrender of the applicable coupon, and in like principal amount in denominations of $1,000 or $5,000. To exchange this bond, the bond shall be surrendered at the Office of the Comptroller of the City and shall be accompanied by a written request for such exchange by an authorized person specifying the denominations and the number of bonds to be delivered in exchange for this bond and whether such bonds should be in registered or coupon form, and no charge shall be made to the original registered holder of this bond for such exchange.

This bond is one of an authorized issue of serial bonds of The City of New York having an aggregate principal amount of $ , all of which are of like tenor except as to number, maturity and denomination. The bonds shall not be redeemable at the option of The City of New York on or prior to June 30, 1982. Thereafter, the bonds shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, upon at least 30 days' prior written notice to the holders, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.

[Bonds sold or otherwise disposed of by the original registered holder (other than to a successor in interest not involving a change in beneficial ownership) shall not be redeemable prior to the eleventh anniversary of their date of issuance. After such eleventh anniversary, the bonds so sold]
or otherwise disposed of shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, upon at least 30 days' prior written notice to the holders, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.]*

If notice of redemption shall have been given as aforesaid, the bonds to be redeemed shall become due and payable at the redemption price on the redemption date therein designated, and if, on the redemption date, monies for payment of the redemption price of all the bonds to be redeemed, together with interest to the redemption date, shall be available and either shall be applied to such payment on such redemption date, or shall be segregated by The City of New York and held in trust for the benefit of the holders of the bonds for a period of three years from such redemption date, then from and after the redemption date interest on such bonds shall cease to accrue.

The issue of bonds of which this bond is a part shall be fully defeased and the obligations of The City of New York thereon and hereunder, including the obligation of The City of New York to make future payments of principal and interest with respect to such issue of bonds, shall be fully discharged and of no further force and effect at such time as (i) notice of redemption of such issue of bonds shall have been given in accordance with the terms of such bonds and (ii) there is on deposit with a bank, trust company or other fiduciary, located in the Borough of Manhattan in The City of New York and with stated capital and surplus in excess of $500,000,000, in a separate trust account, which shall not be reachable by any creditor of said bank, trust company or other fiduciary and which shall be used only for the benefit of the holders of outstanding bonds of such issue, sufficient monies, or direct obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the principal of and/or interest on which will provide sufficient monies, to pay punctually when due prior to maturity by redemption at the earliest time such issue of bonds may be redeemed in accordance with their terms (or at maturity if there remain no interest payment dates prior to maturity), all principal of and interest on all outstanding bonds of such issue and (iii) irrevocable instructions from The City of New York

* This provision shall be inserted in the bonds in the event applicable law permits the redemption of only those bonds of an issue of bonds which continue to be guaranteed by the United States of America but does not require the redemption of any bonds in the same issue which are no longer guaranteed by the United States of America.
to such bank, trust company or other fiduciary to make such payment of such principal and interest with such monies shall have been given, or at such time as all principal of and interest on all outstanding bonds of such issue shall have been paid by The City of New York as and when the same shall have become due.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this bond exist, have happened and have been performed, and that the issue of bonds of which this is one, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of the State of New York.

IN WITNESS WHEREOF, THE CITY OF NEW YORK has caused this bond to be executed in its name by the manual or facsimile signature of its Mayor and by the manual or facsimile signature of its Comptroller and its common seal to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon and attested by its City Clerk or his Deputy, and this bond to be dated the ______ day of ____________, 19____.

THE CITY OF NEW YORK

By ____________________________
Mayor

By ____________________________
Comptroller

[seal]

ATTEST:

______________________________
City Clerk
[FORM OF REVERSE OF BOND]

No. ................

SERIAL BOND

OF THE

CITY OF NEW YORK

$ ................

INTEREST AT

........................

PER ANNUM

PAYABLE SEMI-ANNUALLY

ON .................... AND ......................

PRINCIPAL DUE

.............................., 19 .
EXHIBIT B-1
Form of Coupon Bond

No. $  

SERIAL BOND OF  
THE CITY OF NEW YORK  

Issue of Principal payable  

Authorized Issue $  

THE CITY OF NEW YORK, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to bearer the sum of Dollars ($ ), on the day of , 19 , and to pay interest thereon from the date of this bond until the principal sum hereof shall be paid, at the rate of per cent ( % ) per annum, semi-annually on and in each year, upon presentation and surrender of the annexed interest coupons as they severally become due. Both principal of and interest on this bond will be paid in such coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 40 Wall Street, New York, New York.

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

The proceedings authorizing the issuance of the issue of bonds of which this bond is a part contain certain covenants of The City of New York with the holders from time to time of this bond and certain pledges and agreements of the State of New York. Reference is made to such proceedings for a description of the nature and extent of such covenants, pledges and agreements and to the conditions under which such covenants, pledges and agreements may be defeased.

This bond and appurtenant coupons are negotiable and transferable by delivery.

This bond is one of an authorized issue of serial bonds of The City of New York having an aggregate principal amount of $ , all of which are of like tenor except as to number, maturity and denomi-
nation. The bonds shall not be redeemable at the option of The City of New York on or prior to June 30, 1982. Thereafter, the bonds shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.

[Bonds of this issue that are not guaranteed by the United States of America shall not be redeemable prior to the eleventh anniversary of their original date of issuance. After such eleventh anniversary, such bonds shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.]*

Notice of redemption, identifying the bonds or portions thereof to be redeemed, shall be given by The City of New York by publication at least three times in a financial newspaper published and circulated in The City of New York, and in the City Record, the first such publication to occur at least 30 days prior to the redemption date. If notice of redemption shall have been given as aforesaid, the bonds to be redeemed shall become due and payable at the redemption price on the redemption date therein designated, and if, on the redemption date, monies for payment of the redemption price of all the bonds to be redeemed, together with interest to the redemption date, shall be available and either shall be applied to such payment on such redemption date, or shall be segregated by The City of New York and held in trust for the benefit of the holders of the bonds for a period of three years from such redemption date, then from and after the redemption date interest on such bonds shall cease to accrue.

The issue of bonds of which this bond is a part shall be fully defeased and the obligations of The City of New York thereon and hercunder, including the obligation of The City of New York to make future payments of principal and interest with respect to such issue of bonds, shall be fully discharged and of no further force and effect at such times as (i) notice of redemption of such issue of bonds shall have been given in accordance with the terms of such bonds and (ii) there is on deposit with a bank, trust company or other fiduciary, located in the Borough of Manhattan in The City of New York and with stated capital and surplus in excess of $500,000,000, in a separate trust account, which shall not be reachable by any creditor of said bank, trust company or other fiduciary and which shall be used only for the benefit of the

* This provision shall be inserted in the bonds in the event applicable law permits the redemption of only those bonds of an issue of bonds which continue to be guaranteed by the United States of America but does not require the redemption of any bonds in the same issue which are no longer guaranteed by the United States of America.
holders of outstanding bonds of such issue, sufficient monies, or direct obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the principal of and/or interest on which will provide sufficient monies, to pay punctually when due prior to maturity by redemption at the earliest time such issue of bonds may be redeemed in accordance with their terms (or at maturity if there remain no interest payment dates prior to maturity), all principal of and interest on all outstanding bonds of such issue and (iii) irrevocable instructions from The City of New York to such bank, trust company or other fiduciary to make such payment of such principal and interest with such monies shall have been given, or at such time as all principal of and interest on all outstanding bonds of such issue shall have been paid by The City of New York as and when the same shall have become due and payable.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed, and that the issue of bonds of which this is one, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of the State of New York.

IN WITNESS WHEREOF, THE CITY OF NEW YORK has caused this bond to be executed in its name by the manual or facsimile signature of its Mayor and by the manual or facsimile signature of its Comptroller and its common seal to be hereto affixed, impressed, imprinted or otherwise reproduced hereon and attested by its City Clerk or his Deputy, and the coupons hereto attached to be authenticated by the manual or facsimile signature of its Comptroller, and this bond to be dated the ... day of ................., 19 ....

THE CITY OF NEW YORK

By ........................................
Mayor

By ........................................
Comptroller

[SEAL]
ATTEST:

........................................
City Clerk
FORM OF REVERSE OF BOND]

No.

SERIAL BOND

OF THE

CITY OF NEW YORK

$ INTEREST AT

..........................

PER ANNUM

PAYABLE SEMI-ANNUALLY

ON .......................... AND ..........................

PRINCIPAL DUE

.........................., 19...
[FORM OF INTEREST COUPON]

No. $  

On the day of , The City of New York (unless the bond to which this coupon app pertains shall have been duly called for redemption and the redemption price paid or duly provided for) will pay, in such coin or currency of the United States of America which at the time is legal tender for the payment of public and private debts, to bearer, upon presentation and surrender of this coupon at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 40 Wall Street, New York, New York, the amount shown hereon, being semi-annual interest then due on its Serial Bond, No. , dated , 19 .

THE CITY OF NEW YORK

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

Comptroller
Comptroller
The City of New York
New York, New York 10007

Dear Sir:

We have acted as bond counsel in connection with the sale on this date by The City of New York (the “City”), a municipal corporation of the State of New York (the “State”), of $ aggregate principal amount of its % serial bonds, dated , 19 (the “Bonds”), to the New York City Employees’ Retirement System, the Board of Education Retirement System for The City of New York, the Teachers’ Retirement System for The City of New York, the New York City Police Pension Fund, Article 2, the New York State Teachers’ Retirement System and the Comptroller of the State of New York, as Trustee for the New York State Common Retirement Fund (the “Purchasers”), pursuant to the Guaranteed Bond Purchase Agreement (the “Purchase Agreement”), dated as of November 15, 1978, among the United States of America (the “United States”), acting by and through the Secretary of the Treasury, the City and the Purchasers.

The Bonds provide that interest thereon is payable from , 19 , at the rate of per centum per annum, on , 19 , and semi-annually thereafter on and in each year until maturity.
The Bonds are payable in installments on in each year beginning in the following aggregate principal amounts:

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<th>Year</th>
<th>Amount of Installment</th>
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</table>

The Bonds shall not be redeemable at the option of the City on or prior to June 30, 1982. Thereafter the Bonds shall be redeemable in whole or in part on any interest payment date at the option of the City, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed at 100% of the principal amount of the Bonds redeemed plus accrued interest to the date of redemption; provided, however, that in the event applicable law permits the redemption of only those bonds of an issue of bonds of the City which continue to be guaranteed by the United States but does not require the redemption of any bonds in the same issue which are no longer guaranteed by the United States, Bonds sold or otherwise disposed of by any Purchaser (other than to a successor in interest not involving a change in beneficial ownership) shall not be redeemable prior to the eleventh anniversary of their date of issuance.

As authorized by subdivision one of Section 10-a of the New York State Financial Emergency Act for The City of New York, constituting Chapter 868 of the Laws of 1975 as amended to the date hereof (the “Control Board Act”), the City has included in Section 6.1 of the Purchase Agreement a pledge and agreement of the State relating to the Control Board Act (the “Pledge and Agreement”). In addition, as authorized by subdivision three of Section 10-a of the Control Board Act, the City has included in Section 7 of the Purchase Agreement certain covenants and agreements of the City (the “City Covenants”) and in Section 6.2 of the Purchase Agreement a pledge and agreement of the State relating to the City Covenants (the “Additional Pledge and Agreement”).

We have examined such portions of the Constitution and statutes of the United States, the Constitution and statutes of the State and the Charter of the City, and such applicable court decisions, regulations and rulings as we have deemed necessary or relevant for the purposes of the opinions set forth below. We have also examined such records and made such investigation as we have deemed necessary for the purposes of such opinions,
and relied upon certificates by officials and officers of the City and the State pursuant to which the Bonds have been authorized and issued and as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the punctual payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, without limit as to rate or amount, for payment of the Bonds and interest thereon.

2. Interest on the Bonds accrued after payment of principal and interest on the Bonds is no longer guaranteed by the United States pursuant to the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the “Guarantee Act”), will be exempt from Federal income taxes and from State and City personal income taxes. We render no opinion as to the tax treatment of the interest on the Bonds for Federal, State or City income tax purposes as long as payment of principal and interest on such Bonds is guaranteed by the United States pursuant to the Guarantee Act. In rendering the opinion expressed in this paragraph 2, we have concluded, based on the facts, estimates and expectations set forth in a certification as to arbitrage executed by a City official, that the Bonds are not “arbitrage bonds” within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended.

3. The New York State Financial Control Board (the “Board”) has been duly created under the Control Board Act and has lawfully been granted and may exercise the power to:

(a) consult with the City and the covered organizations, as defined in the Control Board Act (the “Covered Organizations”), in the preparation of financial plans, specify the form of and information to be contained in financial plans, specify the supporting information required in connection therewith, and review and state its approval of any financial plan or of any modification of a financial plan, or state its disapproval of any financial plan or of any modification which it determines is incomplete or does not comply with the standards set forth in the Control Board Act; and

(b) review and make reports and recommendations relating to the operations of the City and the Covered Organizations, audit compliance with any financial plan and obtain information from the City and the Covered Organizations relating to their respective financial conditions and needs.
4. While there is no judicial authority directly in point, the Board has lawfully been granted the powers set forth in the Control Board Act in addition to those enumerated in paragraph 3 above, and the Control Board Act and the Constitution of the State permit the exercise, at the times contemplated in the Control Board Act, of any of those powers in accordance with the procedures of the Control Board Act, including subdivision 3 of Section 8 thereof, to the extent required to assure that, as required by the Control Board Act, (a) the City will have a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act, (b) contracts entered into by the City, and borrowings of the City, will be in compliance with a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act, and (c) the disbursement of funds by the City, or by the Board for the account of the City in accordance with subdivision 3 of Section 9 of the Control Board Act, will be in compliance with a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act.

5. The Control Board Act validly requires that (a) the City develop financial plans in the form, and containing the information, specified by the Board, which conform to the standards set forth in subdivision 1 of Section 8 of the Control Board Act and modify those financial plans to the extent necessary to make them conform or continue to conform to those standards, (b) the financial plans developed by the City and information relating to them be submitted to the Board, (c) the budgets and operations of the City and the Covered Organizations at all times be in conformance and compliance with the financial plan of the City (whether developed by the City or adopted by the Board in the lawful exercise of its powers), (d) the City enable a nationally recognized independent certified public accounting firm or a consortium of firms to perform an annual audit of the City’s financial statements in accordance with generally accepted auditing standards, (c) the City establish a general debt service fund in accordance with Section 9-a of the Control Board Act and deposit certain monies in that fund and the Comptroller of the State administer and maintain that fund and disburse monies in that fund in accordance with Section 9-a of the Control Board Act, (f) the Comptroller of the State establish and maintain a TAN debt service account and a RAN debt service account (as those terms are defined in the Control Board Act) within the general debt service fund, pay certain sums into those accounts and make payments of the principal of tax anticipation notes and revenue anticipation notes out of those accounts, and (g) the officials of the City comply with any orders of the Board issued to those officials in the lawful exercise by the Board of its powers.
6. The Control Board Act validly prohibits the City from (a) entering into contracts or issuing obligations which are inconsistent with the financial plan of the City (whether developed by the City or adopted by the Board in the lawful exercise of its powers) in effect at the time the proposed contracts are to be entered into or the proposed obligations are to be issued or (b) issuing obligations which are inconsistent with the provisions of subdivisions one through five of Section 9-b of the Control Board Act.

7. The Pledge and Agreement and the Additional Pledge and Agreement are each a valid and legally binding pledge and agreement of the State which the City is authorized to include in the Purchase Agreement and as a term of the Bonds.

8. The City is authorized to include the City Covenants in the Purchase Agreement and as a term of the Bonds.

9. The Purchase Agreement has been duly executed and delivered on behalf of the City and is a valid and legally binding agreement of the City. The City Covenants are valid and legally binding on the City.

We call your attention to certain factors relating to enforceability as follows:

(a) the enforceability of the terms and conditions of the Bonds and of the payment of principal and interest on the Bonds is subject to the provisions of the Federal Bankruptcy Act and may be subject to other subsequently enacted State or Federal laws relating to creditors' rights; and

(b) the enforceability of the City Covenants, the Pledge and Agreement and the Additional Pledge and Agreement may be affected by the overriding State interest in promoting the health, safety and welfare of the people of the State.

We wish to advise you that, with the exception of the opinion attributed to us under the caption "Legal Opinions", we did not act as counsel in connection with the Official Statement of The City of New York, dated 19 , which we understand has been made available to the Purchasers in connection with the sale of the Bonds, and we express no opinion on the accuracy or completeness of the statements contained in such Official Statement.

Very truly yours,
[Closing Date]

The New York City Employees' Retirement System,
The Board of Education Retirement System for the City
of New York,
The Teachers' Retirement System for the City of New York,
The New York City Police Pension Fund, Article 2,
The New York State Teachers' Retirement System, and
The Comptroller of the State of New York, as Trustee
for the New York State Common Retirement Fund

Dear Sirs:

We have acted as bond counsel in connection with the sale on this date
by The City of New York (the "City"), a municipal corporation of the
State of New York (the "State"), of $ aggregate principal amount
of % serial bonds, dated 19 (the "Bonds"), to the
New York City Employees' Retirement System, the Board of Education
Retirement System for The City of New York, the Teachers' Retirement
System for The City of New York, the New York City Police Pension Fund,
Article 2, the New York State Teachers' Retirement System and the Comptroller of the State of New York, as Trustee for the New York State Common
Retirement Fund (the "Purchasers") pursuant to the Guaranteed Bond Purchase Agreement (the "Purchase Agreement"), dated as of November 15, 1978, among the United States of America (the "United States"), acting by and through the Secretary of the Treasury, the City and the Purchasers.

Pursuant to the New York City Loan Guarantee Act of 1978, Public Law 95-339, and in accordance with an Agreement to Guarantee (the "Agreement to Guarantee"), dated as of November 15, 1978, among the United States, the City, the State, the New York State Financial Control Board and the Municipal Assistance Corporation For The City of New York, the United States has entered into an agreement with each of the Purchasers (referred to collectively herein as the "Guarantees") in which the United States guarantees payment to each Purchaser (but not to any other holder of a Bond, other than a successor in interest to such Purchaser not involving a change in beneficial ownership) of the full amount of the principal of and interest on the Bonds sold to such Purchaser by the City on the date hereof.

We have examined such portions of the Constitution and statutes of the United States and such applicable court decisions as we have deemed necessary or relevant for the purposes of the opinions set forth below. We have also examined an opinion, dated the date hereof, of the General Counsel of the Department of the Treasury relating to the Guarantees and such certificates by officials of the Department of the Treasury relating to the Guarantees as we have deemed necessary. Based upon the foregoing, we advise you that in our opinion under existing law:

1. Payment of the full amount of the principal of and interest on the Bonds has been guaranteed by the United States to each Purchaser; provided, however, that the Guarantees are effective only with respect to the Bonds while the Bonds are held by the Purchaser thereof and shall terminate if the Bonds are sold or otherwise disposed of by the Purchaser thereof (other than to a successor in interest not involving a change in beneficial ownership).

2. The Guarantees have been duly authorized, executed and delivered and are valid and legally binding obligations of the United States in accordance with their terms, are secured by the full faith and credit of the United States and are incontestable in the hands of each Purchaser, except for fraud or material misrepresentation on the part of such Purchaser.

3. The Bonds are exempted securities under the Securities Act of 1933, as amended, and, as such, are exempt from the registration requirements of Section 5 of such Act.

Very truly yours,
The New York City Employees' Retirement System,
The Board of Education Retirement System for
The City of New York,
The Teachers' Retirement System for The City of New York,
The New York City Police Pension Fund, Article 2,
The New York State Teachers' Retirement System, and
The Comptroller of the State of New York, as Trustee
for the New York State Common Retirement Fund

Dear Sirs:

We are bond counsel to The City of New York (the "City"), a municipal corporation in The State of New York, and on the date hereof we have delivered to the Comptroller of the City an opinion, a copy of which is enclosed herewith, dated the date hereof, in connection with the issuance and sale by the City of $ aggregate principal amount of its % serial bonds. You are entitled to rely on said opinion as though it were addressed to you.

Very truly yours,
EXHIBIT F

[LETTERHEAD OF GENERAL COUNSEL OF THE DEPARTMENT OF THE TREASURY]

[Closing Date]

To Each of the Purchasers
Listed on the Attached Schedule of Purchasers

Dear Sirs:

I am the General Counsel of the Department of the Treasury. I am delivering this opinion in connection with the purchase on the date hereof of $ aggregate principal amount of  % Serial Bonds (the “Bonds”) issued by The City of New York (the “City”) pursuant to a Guaranteed Bond Purchase Agreement, dated as of November 15, 1978 by and among the City, you and each of the other pension funds named therein (the “Purchasers”), and the United States of America (the “United States”), acting by and through the Secretary of the Treasury (the “Secretary”). The Bonds will be guaranteed by the United States pursuant to Guarantees, dated the date hereof (the “Guarantees”), made by the Secretary pursuant to the New York City Loan Guarantee Act of 1978, P.L. 95-339 (the “Act”).

In this connection, I have examined such portions of the Constitution and laws of the United States and such certificates, documents and materials as I consider necessary and appropriate to the rendering of this opinion.
Based on the foregoing, it is my opinion that:

1. Payment of the full amount of the principal of and interest on the Bonds to each Purchaser thereof has been guaranteed by the United States; provided, however, that the Guarantees, as provided therein and in the Act, are effective only with respect to the Bonds while the Bonds are held by the Purchaser thereof and shall terminate if the Bonds are sold or otherwise disposed of by the Purchaser thereof (other than to a successor in interest not involving a change in beneficial ownership).

2. The Guarantees have been duly authorized, executed, and delivered by the United States and are valid and legally binding obligations of the United States in accordance with their terms, are secured by the full faith and credit of the United States, and are incontestable in the hands of each Purchaser, except for fraud or material misrepresentation on the part of such Purchaser.

Very truly yours,
City of New York Guaranteed Bond Purchase Agreement for up to $1,650,000,000 of Bonds of the City of New York dated as of November 15, 1978

Executed original
THE CITY OF NEW YORK

GUARANTEED BOND PURCHASE AGREEMENT

For up to $1,650,000,000 of Bonds
of The City of New York

As of
November 15, 1978
# GUARANTEED BOND PURCHASE AGREEMENT

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GUARANTEED BOND PURCHASE AGREEMENT

AGREEMENT dated as of November 15, 1978 by and among The City of New York (the "City"), each of the undersigned City pension funds (the "City Pension Funds"), each of the undersigned New York State pension funds (the "State Pension Funds"), and the United States of America (the "United States"), acting by and through the Secretary of the Treasury (the "Secretary"). The City Pension Funds and the State Pension Funds are herein collectively referred to as the "Pension Funds."

SECTION 1. Purchase of Bonds; Guarantees; Terms of Bonds; Closings.

1.1 Purchase of Bonds. In reliance on the representations and warranties of the City and of the United States, and in reliance on the Guarantees (as defined below) to be issued by the United States which are an integral and essential condition to the purchase of bonds under this Agreement, the Pension Funds hereby agree, severally and not jointly, to purchase during the 1979, 1980, 1981 and 1982 fiscal years (references to a "fiscal year" being to the fiscal year of the City ending June 30 in the calendar year indicated) $1,650,000,000 aggregate principal amount of serial bonds of the City (the "Bonds") or such lesser amount as the City shall request. The maximum principal amount of Bonds that each Pension Fund shall be obligated to purchase in each such fiscal year is set forth in Schedule I hereto, except that such amount may be increased pursuant to paragraph 1.4 or paragraph 4.9 of this Agreement.

1.2 Guarantees. At the time of each purchase hereunder, the United States will irrevocably and unconditionally guarantee the payment when due of the principal of and interest on each Bond pursuant to the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the "Guarantee Act"). Each such guarantee shall be evidenced by the execution and delivery by the Secretary of a guarantee which is substantially identical to and substantially in the form of Exhibit A hereto (the "Guarantee"). The validity of each such Guarantee shall be incontestable in the hands of the holder, except for fraud or material misrepresentation on the part of the holder. The Guarantee shall automatically terminate with respect to any Bond which is sold or otherwise disposed of by any Pension Fund (other than to a successor in interest not involving a change in beneficial ownership) and shall terminate in accordance with the provisions of paragraph 8.4 of this Agreement.

1.3 Terms of Bonds.

(a) General Obligation Serial Bonds. The Bonds shall be general obligation serial bonds of the City issued pursuant to the Charter of the City
and the laws of the State of New York (the "State"), as such laws may be amended from time to time, for the payment of which the faith and credit of the City shall be pledged.

(b) **Date of Bonds and Interest Payment Dates.** The Bonds shall be dated the Closing Date (as defined below) or a date not more than 30 days prior to such Closing Date. Interest on the Bonds shall be payable semi-annually by check mailed to the addresses of the registered holders thereof as such addresses shall appear in the Bond Register to be maintained at the Office of the Comptroller of the City pursuant to paragraph 2.1 of this Agreement or as otherwise may be agreed between a holder from time to time of the Bonds and the Comptroller of the City; provided, however, that interest on Bonds received in coupon form upon exchange pursuant to Section 2 hereof shall be payable at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 4 New York Plaza, New York, New York, upon presentation and surrender of the applicable coupon.

(c) **Payments of Principal.** The City shall make payments of the principal of each issue of Bonds in annual installments. The first such installment of each issue of Bonds shall be paid not later than 18 months from the date of the Bonds, and no annual installment shall be more than 50% in excess of the smallest prior installment. The principal of the Bonds shall be payable at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 4 New York Plaza, New York, New York, upon presentation and surrender of the Bonds.

(d) **Maturity Dates.** The final annual installment of any Bonds issued in the 1979 fiscal year shall mature not later than the fifteenth anniversary of the date of issuance of such Bonds, and the final annual installment of any Bonds issued in the 1980 fiscal year shall mature not later than the fourteenth anniversary of the date of issuance of such Bonds. In the case of Bonds issued during the 1981 fiscal year or the 1982 fiscal year, the year of the final annual installment shall be determined by mutual agreement between the Secretary and the City after consultation taking into account the financing needs of the City, the bonding authority available to the City and the authority of the Secretary to issue Guarantees under the Guarantee Act, but in no event shall the date of the final annual installment be later than the fifteenth anniversary of the date of issuance of such Bonds; provided, however, that in the event the Secretary and the City do not agree, the date of the final annual installment shall be not later than the fifteenth anniversary nor earlier than the thirteenth anniversary of the date of issuance of the Bonds in the case of Bonds issued during the 1981 fiscal year and not later than fifteenth anniver-
sary nor earlier than the twelfth anniversary of the date of issuance of the
Bonds in the case of Bonds issued during the 1982 fiscal year, as may be
determined by the Secretary.

(c) Redemption. The Bonds shall not be redeemable at the option of
the City on or prior to June 30, 1982. Thereafter, the Bonds shall be redeem-
able in whole or in part on any interest payment date at the option of the City,
in inverse order of maturity and pro rata among the holders thereof within each
maturity redeemed, upon at least 30 days' prior written notice to the holders,
at 100% of the principal amount of the Bonds redeemed plus accrued interest
to the date of redemption; provided, however, that in the event applicable
law permits the redemption of only those Bonds of an issue of Bonds which
continue to be guaranteed by the United States but does not require the
redemption of any Bonds in the same issue which are no longer guaranteed
by the United States (the enactment of which law the City agrees to seek in
good faith and with its best efforts), Bonds sold or otherwise disposed of by any
Pension Fund (other than to a successor in interest not involving a change in
beneficial ownership) shall not be redeemable prior to the eleventh anniversary
of their date of issuance. After such eleventh anniversary, the Bonds so sold or
otherwise disposed of shall be redeemable in whole or in part on any interest
payment date at the option of the City, in inverse order of maturity and pro
rata among the holders thereof within each maturity redeemed, upon at least 30
days' prior written notice to the holders, at 100% of the principal amount of the
Bonds redeemed plus accrued interest to the date of redemption. In the
event the City shall have issued a notice of redemption with respect to Bonds
then guaranteed by the United States, each Pension Fund agrees that it will not
sell or otherwise dispose of the Bonds which are the subject of such notice
of redemption from and after the date of such notice unless and until the
City shall have failed to redeem such Bonds on the date of redemption speci-
fied in the notice of redemption. If notice of redemption shall have been
given as stated above, the Bonds to be redeemed shall become due and pay-
able on the redemption date stated in such notice. If any Bond is redeemed
in part, upon surrender of the Bond being redeemed, the City shall deliver
to the holder a Bond in like form in the principal amount equal to that
portion of the Bond so surrendered not being redeemed.

(f) Form of Bond. Each Bond shall be registered with respect to prin-
cipal and interest and shall be in substantially the form set forth in Exhibit B
hereto, or in such other form as the City and the purchasers thereof may agree,
so long as such Bond is owned by a Pension Fund, and, if exchanged pursuant
to Section 2 of this Agreement, shall be either (i) in registered form or (ii)
in coupon form in substantially the form set forth in Exhibit B-1 hereto.
(g) **Interest Rate.** The annual rate of interest on the Bonds issued on the initial Closing Date shall be 8.90 per cent. The annual rate of interest on Bonds issued on each Closing Date subsequent to the initial Closing Date shall be calculated as follows:

(i) The annual rate of interest on each Bond to be issued on a Closing Date other than the initial Closing Date shall be determined on the fifth business day immediately preceding the Closing Date and shall be 45 basis points higher than the interest rate, rounded to the nearest .0005, payable on certificates of indebtedness, notes and bonds that mature on the date closest to the Average Life Date (as such term is defined below) of the Bonds issued on such Closing Date, as such interest rate is set forth in the Table of Maximum Interest Rates Payable on United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series subscribed for during the calendar week immediately preceding the date of determination of the interest rate, or if not published for such calendar week, for the most recent calendar week preceding such determination, subject to subparagraph (ii) below. For purposes of this subparagraph and subparagraph (ii) below, the term “Average Life Date” of an issue of Bonds shall mean the date determined by first calculating the average life of such issue expressed in years and computed to three decimal places, by a method prescribed in *Fundamentals of Municipal Bonds* or such other method as may be prescribed by the Public Securities Association, converting the resulting fractional year to whole days, and then counting forward from the date of such Bonds by such number of years and days.

(ii) In the event that the Table referred to in subparagraph (i) above shall not have been published for at least one of the two calendar weeks immediately preceding the date of determination of the interest rate as provided in subparagraph (i) above prior to a Closing Date, the annual rate of interest on Bonds issued on each Closing Date subsequent to the initial Closing Date shall be determined on the fifth business day immediately preceding the Closing Date for such issue and shall be 45 basis points higher than the arithmetical mean, rounded to the nearest .0005, of (A) the Yield of Federal Securities (as such terms are defined below) that mature on the date closest to but prior to the Average Life Date of such issue, (B) the Yield of Federal Securities that mature on the date closest to but later than the Average Life Date of such issue, and (C) the Yield of Federal Securities, if any, that mature on the Average Life Date of such issue. For purposes of this subparagraph, the term "Federal
Security” shall mean a United States Treasury note or bond which is not callable prior to maturity and is not redeemable by its terms in whole or in part prior to maturity by operation of a sinking fund, provided that there shall also be excluded from such definition (x) any note or bond which is of the type generally known as a “flower bond” and (y) every United States Treasury note or bond which, on the date of the determination required to be made by this subparagraph, or at any time during the 20-business day period immediately preceding such date, is offered for sale to the public at a price less than 90 per cent or more than 110 per cent of the principal amount thereof as published in The Wall Street Journal or, if such newspaper shall cease to publish such information, published in such other newspaper of general circulation in the City to be agreed upon by the City and the purchasers of Bonds to be issued on such Closing Date. For purposes of this subparagraph, the term “Yield” shall mean the average of the yields to maturity at the close of business on each of the 20 business days immediately preceding the fifth business day prior to the Closing Date, as determined by the Federal Reserve Bank of New York and published in The Wall Street Journal or, if such newspaper shall cease to publish such information, published in such other newspaper of general circulation in the City to be agreed upon by the City and the purchasers of Bonds to be issued on such Closing Date.

1.4 Closings.

(a) *Definition.* Each date on which Bonds are purchased hereunder, including dates on which purchases take place in accordance with paragraph 1.4(c) and paragraph 4.9(b), shall be referred to as a “Closing Date.” Each closing hereunder shall take place at the Office of the Comptroller of the City at 11:00 o'clock in the forenoon on the Closing Date, or at such other time on such date and at such other place in the Borough of Manhattan as the City and the Secretary may determine.

(b) *Schedule of Closing Dates.* The City shall sell $200,000,000 aggregate principal amount of the Bonds on the initial Closing Date which shall be November 17, 1978. During the remainder of the 1979 fiscal year, there shall be two additional Closing Dates; on February 15, 1979 the City shall sell $150,000,000 aggregate principal amount of Bonds and on May 24, 1979 the City shall sell $150,000,000 aggregate principal amount of Bonds. Prior to the beginning of each subsequent fiscal year, the City shall deliver to each of the Pension Funds a schedule setting forth the Closing Dates for such fiscal year, including the aggregate principal amount of Bonds to be pur-
chased by each Pension Fund on each Closing Date. Notwithstanding the foregoing, the City shall give at least 30 days' prior written notice to each of the Pension Funds of any Closing Date scheduled to occur within the first 30 days of any fiscal year.

(c) **Adjournments.** (i) The City may adjourn, by oral notice to each Pension Fund given prior to 5:00 P.M. on the scheduled Closing Date, confirmed in writing within 24 hours after such oral notice, the purchase of Bonds by any such Pension Fund or Pension Funds on any scheduled Closing Date in the event that the Secretary shall refuse to issue Guarantees to any such Pension Fund or Pension Funds with respect to Bonds to be purchased on such scheduled Closing Date. In addition, the City may adjourn, by 30 days' prior written notice to each City Pension Fund, the purchase of Bonds by the City Pension Funds on any scheduled Closing Date in the event that the City determines in its judgment that actual or projected expenditures for capital purposes do not warrant the sale of Bonds to the City Pension Funds on such scheduled Closing Date. Any notice given by the City pursuant to this paragraph shall state the date to which the purchase of Bonds shall be adjourned. Any purchase of Bonds adjourned under the first or second sentence of this paragraph 1.4(c) may be further adjourned from time to time in the manner and for the reasons set forth in the first sentence of this paragraph 1.4(c). (ii) Notwithstanding the foregoing, the purchase of Bonds originally scheduled on a Closing Date in one fiscal year shall not be adjourned beyond June 30 of the next succeeding fiscal year and in no event shall any purchase of Bonds be adjourned to a date beyond June 30, 1982; except that any purchase of Bonds which is adjourned with respect to any City Pension Fund because the Secretary has refused to issue Guarantees to such Pension Fund solely by reason of the wrongful failure of such Pension Fund to purchase bonds scheduled to be issued by The Municipal Assistance Corporation For The City of New York ("MAC") at a closing scheduled pursuant to the Bond Purchase Agreement dated as of November 15, 1978 (the "Bond Purchase Agreement") by and among MAC, certain commercial banks, savings banks and insurance companies, and the City Pension Funds at which closing the other City Pension Funds have purchased MAC bonds in accordance with the Bond Purchase Agreement may be adjourned beyond June 30 of the next succeeding fiscal year, but in no event beyond June 30, 1982. Within 60 days following a final determination that the failure by such City Pension Fund to purchase the MAC bonds was wrongful, the City shall deliver to such City Pension Fund a schedule setting forth the Closing Date, or Closing Dates, and the amount, or amounts, of such Bonds to be purchased by such City Pension Fund. The annual rate of interest on
Bonds to be issued on an Adjourned Closing Date (as such term is defined below) or on a Closing Date scheduled pursuant to paragraph 4.9(b) shall be determined on the fifth business day immediately preceding such Closing Date and shall be calculated as provided in paragraph 1.3(g).

(d) Number of Closing Dates and Amounts to be Purchased. The City shall determine the number of Closing Dates to be scheduled during a fiscal year, provided, however, that in no event shall there be more than four Closing Dates, including Closing Dates on which adjourned purchases are consummated (an “Adjourned Closing Date”) and including Closing Dates scheduled pursuant to paragraph 4.9(b), during any one fiscal year, and the City may in its discretion schedule one Closing Date in any fiscal year for purchase of all the Bonds to be purchased in such fiscal year. On each Closing Date, except an Adjourned Closing Date, at least $50,000,000 aggregate principal amount of Bonds shall be scheduled to be purchased, provided that in no event shall the State Pension Funds or the City Pension Funds be scheduled to purchase, severally as provided in Schedule I, in the aggregate for each such group of Pension Funds less than $25,000,000 aggregate principal amount of Bonds on any Closing Date, including an Adjourned Closing Date. On the initial Closing Date, the City Pension Funds shall purchase, severally as provided in Schedule I, an aggregate of $50,000,000 principal amount of Bonds and the New York State Teachers’ Retirement System shall purchase $150,000,000 principal amount of Bonds. On each subsequent Closing Date in the 1979 fiscal year, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the City Pension Funds shall purchase, severally as provided in Schedule I, an aggregate of two-thirds of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date and the Comptroller of the State, as Trustee for the New York State Common Retirement Fund, shall purchase one-third of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date. In each fiscal year thereafter, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the City Pension Funds shall purchase, severally as provided in Schedule I, in the aggregate on each Closing Date 50 per cent of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date. In the 1980 fiscal year, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the Comptroller of the State, as Trustee for the New York State Common Retirement Fund, shall purchase on each Closing Date 50 per cent of the aggregate principal amount of the Bonds scheduled to be purchased on such Closing Date, and in the 1981 and 1982 fiscal years, subject to the provisions of paragraph 1.4(c) and paragraph 4.9, the State Pension Funds shall purchase, severally as provided in Schedule I,
in the aggregate on each Closing Date 50 per cent of the aggregate principal amount of the Bonds so scheduled to be purchased on such Closing Date, of which 60 per cent shall be purchased by the Comptroller of the State, as Trustee for the New York State Common Retirement Fund, and 40 per cent shall be purchased by the New York State Teachers' Retirement System. Notwithstanding the foregoing, (i) if Bonds scheduled to be purchased by a Pension Fund in one fiscal year are scheduled to be purchased in a subsequent fiscal year because of the adjournment of a Closing Date pursuant to paragraph 1.4(c) or paragraph 4.9, the amounts so scheduled to be purchased shall be added, without regard to the percentages set forth above, to the amount of Bonds scheduled in accordance with this paragraph 1.4(d) to be purchased in the subsequent fiscal year by such Pension Fund and (ii) if the scheduled purchase of Bonds by the City Pension Funds on any Closing Date is adjourned without a corresponding adjournment of the scheduled purchase of Bonds by the State Pension Fund or Funds scheduled to purchase Bonds on such Closing Date, then on any such Adjourned Closing Date, the City Pension Funds shall purchase the Bonds which were the subject of the adjournment, severally as provided in Schedule I.

(c) Purchase Price. The purchase price for the Bonds shall be paid in New York Clearing House funds and shall be equal to 100% of the principal amount of the Bonds to be purchased plus accrued interest from the date of such Bonds to the date of purchase (such period not to exceed 30 days).

(f) Interim Bonds. The City, at its own expense, shall prepare, execute and deliver the Bonds in definitive form, and such Bonds shall be lithographed or printed on steel-engraved borders, provided that the City may execute and deliver on any Closing Date one or more interim Bonds pending the delivery of the Bonds in definitive form. Such interim Bonds shall be of substantially the same form and tenor as the definitive Bonds, with such omissions, insertions and variations as may be appropriate to interim Bonds, except that such interim Bonds shall also provide that they are exchangeable without any expense to the holder at the Office of the Comptroller of the City when the Bonds in definitive form are available for delivery. Bonds in definitive form shall be available no later than sixty (60) days following the Closing Date.

(g) Breach by One Pension Fund. It is agreed by the parties hereto that the breach of this Agreement by any one Pension Fund shall not be deemed to be a breach by any other Pension Fund if such other Pension Fund is in compliance with its obligations hereunder.
SECTION 2. Transfer and Exchange of Bonds.

2.1 Transfer of Bonds. The Bonds, including Bonds obtained upon an exchange pursuant to paragraph 2.2 below (unless such Bonds are in coupon form), shall be transferable at the Office of the Comptroller of the City, where a Bond Register shall be maintained, and no sale or other disposition of any Bond shall be effective until such transfer is entered upon the Bond Register, at which time, if the Bond was guaranteed by the United States immediately prior to such transfer, the City and the Pension Fund making such transfer shall give written notice to the Secretary of such sale or other disposition of such Bond; provided, however, that any sale or other disposition of any Bond by a Pension Fund (other than to a successor in interest not involving a change in beneficial ownership) shall cause the Guarantee of the United States with respect to the payment of principal of and interest on such Bond to terminate pursuant to the terms of the Guarantee; and provided further, that Bonds in coupon form received upon an exchange pursuant to paragraph 2.2 below shall be negotiable and transferable by delivery. The Secretary and each of the Pension Funds shall have the right, during normal business hours and upon reasonable notice to the City, to review the Bond Register with respect to the sale or other disposition of any Bond as to which a Guarantee is or was in effect.

2.2 Exchange of Bonds. In connection with the sale or other disposition of all or a portion of any Bond, Bonds registered in the name of a Pension Fund may be exchanged at any time at the request of such Pension Fund for Bonds either (a) registered as to principal and interest and substantially in the form of the Bonds originally issued and in a like aggregate principal amount in smaller denominations, provided, however, that such Bonds shall be in minimum denominations of $25,000 and in integral multiples of $1,000 for denominations in excess thereof, or (b) in coupon form in substantially the form of Exhibit B-1 hereto, and in like aggregate principal amount in denominations of $1,000 or $5,000; provided, however, that if applicable law has been changed as set forth in paragraph 1.3(e) Bonds issued upon exchange shall reflect such change in law. Bonds to be exchanged shall be surrendered at the Office of the Comptroller of the City and shall be accompanied by a written request for such exchange by an authorized person, specifying the denominations and number of the Bonds to be delivered in exchange for the Bonds surrendered and whether such Bonds should be in registered or coupon form. No charge shall be made to any Pension Fund which exchanges its Bond or Bonds pursuant to this paragraph 2.2. A Bond or Bonds registered in the name of a Pension Fund received upon an exchange
pursuant to this paragraph 2.2 shall not be deemed to be a Bond or Bonds received in a sale or other disposition of any Bond or Bonds for purposes of paragraph 2.1 of this Agreement.

SECTION 3. Representations and Warranties.

3.1 Representations and Warranties of the City. The City hereby represents and warrants to each Pension Fund that:

(a) The City is validly existing as a municipal corporation under the laws of the State, including the State Constitution, with the right and power to execute, deliver and perform its obligations under this Agreement, and to issue the Bonds.

(b) When delivered to and paid for by the Pension Funds, the Bonds will have been duly authorized, executed and delivered and will constitute valid and legally binding obligations of the City, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws applicable to the enforcement of creditors' rights or may be affected by the valid exercise of the police powers of the State, and the faith and credit of the City will be irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. All of the real property within the City subject to taxation by the City will be subject to the levy of ad valorem taxes without limitation as to rate or amount to pay principal of and interest on the Bonds.

(c) The City is authorized to enter into this Agreement and perform its obligations hereunder, and this Agreement has been duly executed and delivered by the City and constitutes a valid and legally binding agreement of the City in accordance with its terms. The City is subject to suit on this Agreement.

(d) The City has been duly authorized to include as a term of the Bonds the pledge and agreement of the State as set forth in paragraphs 6.1 and 6.2 of this Agreement. The Bonds delivered pursuant to this Agreement will contain such pledge and agreement of the State.

(e) The City will not use the proceeds of the Bonds in a manner which would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended (the "Code"), and the applicable regulations from time to time promulgated or proposed thereunder.
(f) The issuance of the Bonds and the execution, delivery and performance of this Agreement and the Bonds by the City and compliance with the provisions hereof and thereof do not and will not conflict with, or constitute on the part of the City a breach of, or a default under, any existing law, charter, ordinance, regulation, decree, order or resolution, or (to the best of the knowledge of the City, after due investigation) any agreement, indenture, mortgage, lease or other instrument to which the City is subject or by which it is bound.

(g) No authorization, consent or approval of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality is or will be necessary under existing law for the valid execution, delivery or performance by the City of this Agreement, or the Bonds, or, if necessary, such authorization, consent, approval, filing or registration has been duly obtained or made prior to the execution of this Agreement or the issuance of the Bonds, as the case may be.

3.2 Representations and Warranties of the United States. The United States hereby represents and warrants to each Pension Fund that:

(a) This Agreement has been duly authorized, executed and delivered on behalf of the United States.

(b) The United States is subject to suit by each Pension Fund under existing law to enforce any Guarantee issued to such Pension Fund.

3.3 Representations and Warranties of the Pension Funds. Each of the Pension Funds hereby severally represents and warrants to the City and to the United States that:

(a) This Agreement has been duly authorized, executed and delivered on behalf of such Pension Fund.

(b) This Agreement constitutes a valid and legally binding agreement of such Pension Fund in accordance with its terms.

SECTION 4. Closing Conditions.

The obligations of each Pension Fund to purchase Bonds hereunder shall be subject to the satisfaction, on each Closing Date, of the following conditions:
4.1 *Aggregate Amounts.* On the initial Closing Date, each of the Pension Funds scheduled to purchase Bonds shall purchase the Bonds scheduled to be purchased by it on such Closing Date. On each subsequent Closing Date, at least 90 per cent in aggregate principal amount of Bonds scheduled pursuant to this Agreement to have been purchased by the Pension Funds prior to such Closing Date shall have been purchased by the Pension Funds, and on such Closing Date at least 80 per cent in aggregate principal amount of Bonds scheduled to be purchased by the Pension Funds shall be purchased. For purposes of this paragraph, where the purchase of any Bonds has not been consummated as a result of the operation of paragraph 4.9 or has been adjourned pursuant to paragraph 1.4(c), such Bonds shall be excluded from the calculations required by this paragraph, except that, after the Adjourned Closing Date for the purchase of such Bonds or after the Closing Date scheduled pursuant to paragraph 4.9(b), the Bonds so excluded shall be included in such calculations unless there is subsequently an adjournment of the purchase of such Bonds pursuant to paragraph 1.4(c).

4.2 *Legislation and Agreement in Effect.*

(a) This Agreement shall be in full force and effect, with such modifications, amendments and waivers as may have been made by the parties hereto.

(b) The Guarantee Act, the Federal appropriations act in connection with the Guarantee Act, Public Law 95-415 (the "Federal Appropriations Act"), Chapter 890 of the Laws of 1975 of the State, as amended by Chapter 448 of the Laws of 1978 of the State ("Chapter 890"), an act in relation to the tax treatment of specified transactions by New York public employee retirement systems, Public Law 95-497 (the "Pension Legislation"), and subdivision four of Section 10-a of the New York State Financial Emergency Act for The City of New York (the "Act"), each as in effect on the date of this Agreement, shall be in full force and effect and, since the date of this Agreement, shall not have been amended or modified in any respect which materially adversely affects (i) the ability of the Secretary to issue Guarantees, (ii) the ability of the City to satisfy the requirements of this Agreement or to issue the Bonds, or (iii) the ability of the City and State Pension Funds to purchase the Bonds or the qualified status of the City or State Pension Funds under Section 401(a) of the Code. Neither the Senate nor the House of Representatives of the Congress of the United States shall have agreed to any resolution referred to in Section 104(a) of the Guarantee Act stating in substance that it disapproves of any part of the Guarantees to be provided under such Act.
(c) Each Pension Fund purchasing Bonds on such Closing Date shall have received an executed copy of a certificate of an Assistant Secretary of the Treasury, dated the Closing Date, to the effect that attached to such certificate are true and complete copies of the Guarantee Act and the Federal Appropriations Act, and any amendments thereto, except that subsequent to the initial Closing Date for each Pension Fund, such certificate shall be to the effect that (i) there have been no amendments to such statutes since the most recent certificate furnished to each such Pension Fund pursuant to this paragraph 4.2(c), or (ii) attached to such certificate are true and complete copies of each amendment to such statutes since the most recent certificate furnished to each such Pension Fund pursuant to this paragraph 4.2(c).

4.3  No Prohibited Transactions. The purchase of Bonds scheduled to be purchased by a City Pension Fund on a Closing Date shall not cause such City Pension Fund to be considered to fail to satisfy the requirements of Section 401(a) of the Code, or to have engaged in a prohibited transaction described in Section 503(b) of the Code. Unless the Internal Revenue Service shall have determined that a City Pension Fund has engaged in a prohibited transaction in connection with the purchase of obligations of the City or MAC made since August 20, 1975, or the Secretary or his delegate shall have given notification pursuant to Section 3(a) of the Pension Legislation, this condition shall be deemed to be satisfied on such Closing Date with respect to each City Pension Fund purchasing Bonds on such Closing Date if the following requirements are met:

(a) Prior to the execution of this Agreement, or of any modification, amendment or waiver of the provisions hereof, as contemplated by Section 1(c) of the Pension Legislation, each City Pension Fund shall have notified the Secretary of the proposed Agreement, modification, amendment or waiver, as the case may be, and within 60 days after the date of submission of such Agreement, modification, amendment or waiver or such shorter period as the Secretary shall have established, the Secretary shall have advised each City Pension Fund in writing that he does not disapprove the Agreement, modification, amendment or waiver, as the case may be;

(b) On or before such Closing Date, the Secretary has made the determinations contemplated by Sections 2(c) and 2(f) of the Pension Legislation and has notified in writing each City Pension Fund that he has made such determinations;
(c) On such Closing Date, the requirement with respect to the percentage limitations set forth in Section 2(a) of the Pension Legislation (as adjusted below) shall have been met. For purposes of this paragraph 4.3(c), the applicable percentage limitations set forth in Section 2(a) of the Pension Legislation shall each be reduced by three-quarters of one per cent;

(d) On such Closing Date, the requirement with respect to the absence of negative cash flow set forth in Section 2(d) of the Pension Legislation (as adjusted below) shall have been met. For purposes of this paragraph 4.3(d), negative cash flow shall be deemed absent if cash receipts shall exceed cash expenditures (both as determined in accordance with the applicable provisions of the Pension Legislation) by at least three-quarters of one per cent; and

(c) The report contemplated by Section 2(e) of the Pension Legislation to be submitted by each City Pension Fund shall have been submitted by such City Pension Fund to the Secretary and the appropriate committees of the Congress.

Anything herein to the contrary notwithstanding, the Secretary need not have made any determination contemplated by Section 2(c) of the Pension Legislation and the report contemplated by Section 2(e) of the Pension Legislation need not have been submitted on or prior to any Closing Date if the Pension Legislation does not provide that such requirement need be met as of such Closing Date.

4.4 Qualified Status.

(a) The Internal Revenue Service shall not have withdrawn its favorable determination with respect to the qualified status of such Pension Fund under Section 401(a) of the Code, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the City or of MAC made since August 20, 1975 or the entry of the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof.

(b) There shall not be any action, suit or proceeding before any court or Governmental Authority (as such term is defined below) brought by the Federal Government or any agency or department thereof with jurisdiction pending with respect to such Pension Fund, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the City or of MAC made since August 20, 1975 or the entry
by the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof, wherein an unfavorable decision would result in the loss of the qualified status of such Pension Fund under Section 401(a) of the Code. As used in this Agreement the term "Governmental Authority" shall refer to any legislature or governmental official, department, commission, board, bureau, agency, instrumentality or body or public benefit corporation (which has the jurisdiction and power to take the action it purports to take).

(c) Legislation shall not have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States, or an order, rule or regulation (final, temporary or proposed) shall not have been made by any Governmental Authority with the purpose or effect, directly or indirectly, of causing such Pension Fund to lose its qualified status under Section 401(a) of the Code, by reason of or with respect to any prior purchase or prospective purchase by such Pension Fund of any obligation of the City or of MAC made since August 20, 1975 or the entry by the Pension Fund into this Agreement or the execution of any modification, amendment or waiver of the provisions hereof.

4.5 Representations and Warranties; Covenants. The representations and warranties of the City and of the United States contained in this Agreement shall be true and correct on and as of each Closing Date with the same force as though made on and as of such Closing Date, and, except with respect to the initial Closing Date hereunder, the City and the United States each shall have delivered to each Pension Fund purchasing Bonds on such Closing Date a certificate to such effect. The City shall be in compliance with any covenant made by it in this Agreement.

4.6 Opinions of Counsel. There shall be delivered to and for the benefit of each Pension Fund purchasing Bonds on such Closing Date (a) opinions from Rogers & Wells or such other bond counsel to the City acceptable to such Pension Funds (which acceptance shall not be unreasonably withheld), substantially in the forms annexed hereto as Exhibits C and D, together with the letter of such counsel substantially in the form annexed hereto as Exhibit E, and (b) an opinion of the General Counsel of the Department of the Treasury substantially in the form annexed hereto as Exhibit F.

4.7 Guarantee by the United States. The Secretary shall have executed and delivered to each Pension Fund purchasing Bonds on such Closing Date, on behalf of the United States, a Guarantee with respect to each Bond to be
purchased by such Pension Fund, and in no event shall any Pension Fund be obligated under this Agreement to purchase any bonds of the City which are not guaranteed by the United States.

4.8 Arbitrage Certificate. Each Pension Fund purchasing Bonds on such Closing Date shall have received an executed copy of a certificate of an appropriate officer of the City, dated the Closing Date, setting forth sufficient facts, estimates and circumstances to support the conclusion that on the date of issue it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Code, and stating that, to the best of the knowledge and belief of the certifying officer, such facts, estimates and circumstances are reasonable.

4.9 No Adverse Decision.

(a) No decision, ruling or finding shall have been entered by any court or Governmental Authority since the date of this Agreement (and not reversed on appeal or otherwise set aside) (i) which declares the Guarantee Act, the Federal Appropriations Act, the Pension Legislation or subdivision four of Section 10-a of the Act, each as in effect on the date hereof, or Chapter 890 as in effect on the date hereof or as amended to read substantially and in all material respects as printed as Schedule V to the Bond Purchase Agreement, to be invalid or unenforceable as an entirety, or which declares any provision thereof to be invalid or unenforceable if the deletion of such provision by amendment would cause the requirements of paragraph 4.2 not to be satisfied, (ii) which declares the Guarantee Act, the Federal Appropriations Act, the Pension Legislation, subdivision four of Section 10-a of the Act or Chapter 890, as so amended, to be inapplicable to this Agreement or any purchase contemplated hereby, or (iii) to the effect that (A) any purchase or prospective purchase by a Pension Fund of any Bonds pursuant to this Agreement, or (B) the entry into this Agreement by such Pension Fund, has violated or will violate any applicable fiduciary obligation of any trustee, director or officer or any law (whether statutory or otherwise); unless (1) such decision, ruling or finding is stayed pending appeal, and (2) the firm of Rogers & Wells or other counsel reasonably acceptable to the Pension Funds purchasing Bonds on such Closing Date (which acceptance shall not be unreasonably withheld) shall deliver an opinion, addressed and in form and substance reasonably satisfactory to such Pension Funds and dated such Closing Date, to the effect, without qualification, that the decision, ruling or finding of the court
or Governmental Authority having final jurisdiction in the matter will not have any of the effects described in such clauses.

(b) If any Pension Fund shall not purchase any Bonds scheduled to be purchased on a Closing Date as a result of the operation of paragraph 4.9(a) above, and such decision, ruling or finding is subsequently reversed on appeal or otherwise set aside, such Pension Fund shall be obligated to purchase all Bonds which were not purchased on such scheduled Closing Date because of the operation of said paragraph 4.9(a), except that no Pension Fund shall be required to purchase such Bonds subsequent to June 30 of the fiscal year following the fiscal year in which such Closing Date had been scheduled and in no event subsequent to June 30, 1982. Not later than 60 days following the date on which such decision, ruling or finding is reversed on appeal or otherwise set aside, the City shall deliver to such Pension Fund a schedule setting forth the Closing Date, or Closing Dates, and the amount, or amounts, of such Bonds to be purchased by such Pension Fund.

4.10. Expenditure of Proceeds. In the event that not all of the proceeds from any sale of Bonds are to be used to reimburse the general fund of the City for expenditures advanced from the general fund prior to the Closing Date for the purposes for which the Bonds are issued, (a) the City shall furnish to the Secretary and to each City Pension Fund purchasing Bonds on such Closing Date a statement that in the reasonable expectation of the City, which shall take into consideration its experience in making capital expenditures, that the portion of the proceeds not used to reimburse the general fund of the City as set forth above will be expended for such purposes within one year from the Closing Date (except that if the requirements of applicable law or regulations provide that a particular capital project must be financed in its entirety in one financing, then such proceeds may be held by the City for the period required to complete such project which shall be indicated in such statement) and (b) the City shall furnish to the Secretary and to each such City Pension Fund a schedule showing the length of time any proceeds of a prior sale of Bonds not used to reimburse the general fund were held if such proceeds were held for more than one year.

SECTION 5. Purchase of Bonds by the United States.

If an event of default shall have occurred and be continuing under the Agreement to Guarantee dated as of November 15, 1978 (the "Agreement to Guarantee"), by and among the United States, the State, the City, the New York State Financial Control Board (the "Board") and MAC, the United
States may purchase, and each Pension Fund agrees to sell, at any time one or more of the Bonds then held by such Pension Fund, as requested by the Secretary upon five days' written notice to such Pension Fund, at 100% of the principal amount thereof plus accrued interest to the date of such purchase. Payments by the United States under this Section 5 shall be made in federal funds at the Federal Reserve Bank of New York on the date specified in the notice.

Section 6. Pledge and Agreement of the State.

6.1 In accordance with the provisions of subdivision one of Section 10-a of the Act as in effect on the date of this Agreement, the City hereby includes in this Agreement the pledge and agreement of the State with the United States and with the holders from time to time of Bonds (hereinafter called the "State Covenant") that the State will not take any action which will (a) substantially impair the authority of the Board during a control period (as such term is defined in subdivision twelve of Section 2 of the Act as in effect on the date of this Agreement) (i) to approve, disapprove or modify any financial plan or financial plan modification, including the revenue projections (or any item thereof) contained therein, subject to the standards set forth in paragraphs a, c, d, e, and f of subdivision one of Section 8 of the Act as in effect on the date of this Agreement and paragraph b of such subdivision as in effect from time to time, (ii) to disapprove a contract of the City or a covered organization if the performance of such contract would be inconsistent with the financial plan or to approve or disapprove proposed short-term or long-term borrowings of the City or a covered organization or any agreement or other arrangement referred to in subdivision four of Section 7 of the Act, or (iii) to establish and adopt procedures with respect to the deposit in and disbursement from the board fund of City revenues; (b) substantially impair the authority of the Board to review financial plans, financial plan modifications, contracts of the City or the covered organizations and proposed short-term or long-term borrowings of the City and the covered organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the composition of the Board so that the majority of the voting members of the Board are not officials of the State elected in a state-wide election or appointees of the Governor of the State; (e) terminate the existence of the Board prior to the time to be determined in accordance with Section 13 of the Act as in effect on the date of this Agreement; (f) substantially modify the requirement that the financial statements of the City be audited by a nationally recognized independent certified public accounting firm or consortium of firms and that
a report on such audit be furnished to the Board; or (g) alter the definition of a control period set forth in subdivision twelve of Section 2 of the Act, as in effect on the date of this Agreement, or substantially alter the authority of the Board, as set forth in said subdivision to reimpose or terminate a control period; provided, however, that the foregoing pledge and agreement shall be of no further force and effect if at any time (i) there is on deposit in a separate trust account with a bank, trust company or other fiduciary sufficient monies or direct obligations of the United States or obligations guaranteed by the United States, the principal of and/or interest on which will provide monies to pay punctually when due at maturity or prior to maturity by redemption, in accordance with their terms, all principal of and interest on all outstanding Bonds and irrevocable instructions from the City to such bank, trust company or other fiduciary for such payment of such principal and interest with such monies shall have been given, or (ii) such Bonds, together with interest thereon, have been paid in full at maturity or have otherwise been refunded, redeemed, defeased, or discharged.

6.2 In accordance with the provisions of subdivision three of Section 10-a of the Act as in effect on the date of this Agreement, the City hereby includes in this Agreement the pledge and agreement of the State with the holders from time to time of Bonds that the State will not take any action which would impair the power of the City to comply with or perform the covenants made by the City in Section 7 of this Agreement, or any right or remedy of such Pension Fund to enforce such covenants.

6.3 The terms “covered organization” and “board fund”, as used in this Section, have the respective meanings set forth in the Act as in effect from time to time.

**SECTION 7. City Covenants.**

The City hereby covenants and agrees with each holder from time to time of Bonds that:

(a) The City shall punctually pay the principal of and interest on the Bonds as set forth in the Bonds, and the City shall assess and levy taxes in an amount sufficient to provide for the payment of principal of and interest on the Bonds (after taking into account taxes estimated to be uncollected and all items of City indebtedness then due).

(b) The City shall formulate a financial plan which shall be in the form and contain the information required by the Act, as the Act
may be amended from time to time without violation of the State Covenant, and which is in compliance with the standards set forth in subdivision one of Section 8 of the Act, as the Act may be amended from time to time without violation of the State Covenant. The City shall submit such financial plan (the “Financial Plan”) to the Board and shall formulate and submit to the Board such modifications of the Financial Plan in accordance with the procedures and standards set forth in the Act, as the Act may be amended from time to time without violation of the State Covenant. The budgets of the City at the time of the adoption of the Financial Plan and the operations of the City shall be in compliance with the Financial Plan.

(c) The terms of all contracts entered into by the City and the terms of all borrowings by the City shall be in compliance with the Financial Plan of the City, including any modifications thereof, formulated as provided in paragraph 7(b) above, as the Act may be amended from time to time without violation of the State Covenant. The disbursement of funds by the City shall be in compliance with the Financial Plan of the City, including any modifications thereof, formulated as provided in paragraph 7(b) above.

(d) As required by the Act, as the Act may be amended from time to time without violation of the State Covenant, the City shall maintain a separate fund with the State Comptroller or, subject to the approval of the State Comptroller, with a trust company or bank, for the payment of debt service on bonds or notes of the City.

(e) The City shall comply with the provisions of Sections 9-a and 9-b of the Act, as the Act may be amended from time to time without violation of the State Covenant. The City shall not adopt any criteria providing for the retention of less than all initial real estate tax receipts in the general debt service fund unless the City determines that such criteria are reasonably calculated to provide adequate monies for payment of monthly debt service from real estate tax payments retained in the fund, without the need for additional payments by the City.

(f) The City will keep, or cause to be kept, proper books and records.

(g) The City shall take such action as may be necessary to enable a nationally recognized independent certified public accounting firm or consortium of firms, one of which at least is a nationally recognized independent certified public accounting firm, to perform an annual audit in accordance with generally accepted auditing standards and to furnish to
the Board the report on such audit prepared by such firm or consortium of firms, which report shall include an opinion as to whether the City’s financial statements have been prepared in accordance with generally accepted accounting principles, subject to the provisions of Section 8.2-a of the Act, as the Act may be amended from time to time without violation of the State Covenant, and shall state whether the audit of such financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other accounting procedures as were considered necessary under the circumstances.

(h) The City shall comply with lawful actions of the Board.

SECTION 8. Miscellaneous.

8.1 Notices. All communications hereunder shall be in writing and shall be mailed or delivered to the parties hereto at the address set forth opposite the name of each such party in Schedule II hereto or at such other address as any such party shall hereafter advise each of the other parties hereto in writing. Notice shall be deemed to have been given when delivered or, if mailed, when mailed first class, postage prepaid, except that notice that a Closing Date shall be adjourned because of a refusal by the Secretary to issue Guarantees shall be communicated orally to each Pension Fund scheduled to purchase Bonds on such Closing Date no later than 5:00 P.M. on such Closing Date and shall be confirmed in writing delivered to such Pension Fund within 24 hours after such oral notice.

8.2 No Waivers. No failure or delay by any party hereto in exercising any right, power or privilege hereunder or under any document or instrument contemplated hereby shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

8.3 City Pension Fund Covenant. Each of the City Pension Funds hereby covenants for itself to the extent necessary to meet the requirements of the Pension Legislation in accordance with the obligation of each such Pension Fund (a) to use its best efforts to obtain the report referred to in paragraph (e) of Section 4.3, (b) to make the certification to the Secretary contemplated by Section 1(b)(2) of the Pension Legislation, provided, however, that such certification need not be made if (i) the report referred to above cannot be obtained or (ii) the percentage limitation requirements or absence of negative cash flow referred to in paragraphs (c) and (d) of Section 4.3, the
computation as to which shall be prepared by the actuary of each Pension Fund, shall not have been met, in which case a copy of such computation, accompanied by such supporting documentation as the Secretary may reasonably request, shall be delivered to the Secretary, and (c) to deliver the statement required by Section 2(c)(1)(B) of the Pension Legislation in accordance with the provisions of such Section.

8.4 Deferasance. An issue of Bonds shall be fully defeased and the obligations of the City thereon and hereunder, including the obligation of the City to make future payments of principal and interest with respect to such issue of Bonds, and the obligations of the State as set forth in paragraph 6.2, and the Guarantee of the United States, shall be fully discharged and of no further force and effect at such time as (i) notice of redemption of such issue of Bonds shall have been given in accordance with the terms of such Bonds and (ii) there is on deposit with a bank, trust company or other fiduciary, located in the Borough of Manhattan in the City and with stated capital and surplus in excess of $500,000,000, in a separate trust account, which shall not be reachable by any creditor of said bank, trust company or other fiduciary and which shall be used only for the benefit of the holders of outstanding Bonds of such issue, sufficient monies, or direct obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the principal of and/or interest on which will provide sufficient monies, to pay punctually when due prior to maturity by redemption at the earliest time such issue of Bonds may be redeemed in accordance with their terms (or at maturity if there remain no interest payment dates prior to maturity), all principal of and interest on all outstanding Bonds of such issue and (iii) irrevocable instructions from the City to such bank, trust company or other fiduciary to make such payment of such principal and interest with such monies shall have been given, or at such time as all principal of and interest on all outstanding Bonds of such issue shall have been paid by the City as and when the same shall have become due and payable. No Bonds shall be defeased and no obligation of the City or covenant of the State as aforesaid and no Guarantee of the United States shall be discharged by the operation of this paragraph 8.4 unless all of the requirements of this paragraph 8.4 shall have been met.

8.5 Enforceability by Secretary. The obligations of any Pension Fund under this Agreement 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 in any court of competent jurisdiction of the State of New York in and for the County of New York or the County of Albany.
8.6 Amendments. No modification, amendment, consent or waiver of any provision of this Agreement may be made or given by any Pension Fund without prior written consent of the Secretary.

8.7 Headings. The headings of Sections and paragraphs in this Agreement are inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

8.8 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely in such State.

8.9 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

8.10 Expenses. The City shall pay the fees of and expenses incurred by counsel retained by the Pension Funds and the State in connection with the preparation, execution and delivery of this Agreement and the Agreement to Guarantee.

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed on their behalf by their respective authorized representatives as of the date first above written.

Approved as to Form

Allen G. Schwartz,
Corporation Counsel

The City of New York

By Edward I. Koch,
Mayor

By Harrison J. Goldin,
Comptroller

United States of America

By W. Michael Blumenthal,
Secretary of the Treasury
CITY PENSION FUNDS

New York City Employees' Retirement System
By: Gerald E. Harkness

Board of Education Retirement System for the City of New York
By: John La Carrubba

Teachers' Retirement System for the City of New York
By: [Signature]

New York City Police Pension Fund, Article 2
By: [Signature]

STATE PENSION FUNDS

Comptroller of the State of New York, as Trustee for the New York State Common Retirement Fund
By: Arthur Levitt, Comptroller of the State of New York

New York State Teachers' Retirement System
By: [Signature] Edward J. Stark
SCHEDULE I

Maximum Commitments of Pension Funds

References to a fiscal year ("FY") are to the twelve-month period ending June 30 of such year.

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<td>$125,000,000</td>
<td>$150,000,000</td>
<td>$300,000,000</td>
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* For each fiscal year and on each Closing Date in a fiscal year, each City Pension Fund shall be scheduled to purchase the percentage listed opposite its name below of the aggregate principal amount of Bonds to be purchased by the City Pension Funds during such fiscal year and on such Closing Date:

- New York City Employees' Retirement System: 49.1%
- Board of Education Retirement System for The City of New York: 1.8%
- Teachers' Retirement System for The City of New York: 32.9%
- New York City Police Pension Fund, Article 2: 16.2%
SCHEDULE II
Addresses of Parties

If to the City, to

Mayor of The City of New York
City Hall
New York, New York 10007

and to

Comptroller of The City of New York
Room 530
Municipal Building
New York, New York 10007

with copies to

Corporation Counsel
Room 6-A-11
One Hundred Church Street
New York, New York 10007

and to

Deputy Mayor for Finance
Room 1401
250 Broadway
New York, New York 10007

If to the Secretary, to

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

with a copy to

The General Counsel of the Department
of the Treasury
Room 3000
15th Street and Pennsylvania Avenue
Washington, D. C. 20220
If to the New York City Employees' Retirement System, to

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

If to the Teachers' Retirement System for The City of New York, to

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

If to the Board of Education Retirement System for The City of New York, to

Board of Education Retirement System for The City of New York
65 Court Street
Brooklyn, N. Y. 11201
Attention: John La Carrubba
Executive Director

If to the New York City Police Pension Fund, Article 2, to

New York City Police Pension Fund, Article 2
1 Police Plaza
New York, N. Y. 10038
Attention: Paul Dickstein
Deputy Commissioner
If to the Comptroller of the State of New York, as Trustee for the New York State Common Retirement Fund, to

The Comptroller of The State of New York,
as Trustee for the New York State Common Retirement Fund
Alfred E. Smith State Office Building
Albany, New York 12236

If to the New York State Teachers' Retirement System, to

New York State Teachers' Retirement System
143 Washington Avenue
Albany, New York 12210
Attention: Harold Langlitz
EXHIBIT A

Form of Guarantee

GUARANTEE, dated __________, 19__, made, pursuant to the New York City Loan Guarantee Act of 1978, Public Law 95-339, 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").

Pursuant to the terms of this Guarantee, the United States hereby irrevocably and unconditionally guarantees the payment when due of the principal of and interest on those certain bonds of the City of New York (the "City"), bearing the serial numbers, in the principal amounts, and maturing on the dates set forth below, which are registered in the name of the Purchaser, and any definitive or other bonds of the City registered in the name of the Purchaser issued to such Purchaser in exchange therefor pursuant to the Guaranteed Bond Purchase Agreement (as defined below) (the "Guaranteed Bonds"). Payments by the United States hereunder shall be made in federal funds at the Federal Reserve Bank of New York as provided in this Guarantee.

<table>
<thead>
<tr>
<th>Serial Number</th>
<th>Principal Amount</th>
<th>Maturity</th>
</tr>
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</table>

The Purchaser hereby agrees as follows:

1. To give written or telegraphic notice of any failure of the City to pay principal or interest when due on the Guaranteed Bonds to the Secretary at United States Department of the Treasury, 15th Street and
Pennsylvania Avenue, N.W., Washington, D. C. 20220, Attention: Secretary of the Treasury, with a copy to the General Counsel of the Department of the Treasury.

2. Not to demand payment from the United States hereunder unless at least five days shall have elapsed from the date on which the Purchaser shall have given notice to the Secretary that the City has failed to pay when due any of the principal or interest on the Guaranteed Bonds and such failure 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 any Guaranteed Bond prior to or within 30 days of the delivery to the United States of the certificate and the assignment referred to below without the advance written consent of the Secretary.

4. So long as an event of default, as defined in the Agreement to Guarantee (as defined below), 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 100% of the unpaid principal amount thereof and accrued interest thereon to the date of purchase upon not less than five days written notice given by the Secretary 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.

5. No amendment, renewal or extension of any Guaranteed Bond or any modification or waiver of any right of the Purchaser thereunder may be consented to by the Purchaser without the prior written consent of the Secretary.

6. 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.

7. Upon the making of any payment hereunder, the United States shall be subrogated to all the rights of the Purchaser to the extent of the amounts of principal and/or interest for which payment has been made under this Guarantee. Any amounts received by the Purchaser with re-
spect to principal and/or interest for which payment has been made under this Guarantee from any party other than the United States under this Guarantee shall be promptly paid over to the Secretary.

In the event that there shall have been a failure to pay any of the principal of and/or interest on any Guaranteed Bond and such failure shall have continued for five days from the date on which the Purchaser shall have given the Secretary notice of such failure, then the United States shall pay to the Purchaser the unpaid principal amount of and/or interest on such Guaranteed Bond due on such date and interest on the unpaid principal accrued at the stated rate from the date of such failure to pay to the date of payment of such principal. The United States shall make payment hereunder upon the delivery to the United States, c/o The Federal Reserve Bank of New York, Attention: Government Bond and Safekeeping Department of (i) a certificate of 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 (ii) an assignment to the Secretary of all of the Purchaser's right, title and interest in and to such Guaranteed Bond to the extent of the payments of principal and/or interest for which payment is made under this Guarantee. In the event that the Purchaser shall make delivery of the aforementioned certificate more than 30 days after the date on which a failure to pay any of the principal of or interest on said Guaranteed Bond shall have occurred, then the United States shall pay to the Purchaser the unpaid principal amount of and/or interest on the Guaranteed Bond due on such date and interest on the unpaid principal accrued at the stated rate from the date of such failure to pay only to the 30th day after such failure to pay.

The obligations of the United States under 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) and shall terminate in accordance with the provisions of paragraph 8.4 of the Guaranteed Bond Purchase Agreement (as defined below).

The obligations of the United States hereunder shall be irrevocable and unconditional irrespective of the validity, legality or enforceability of (i) the Guaranteed Bonds, (ii) the Guaranteed Bond Purchase Agreement dated as of November 15, 1978 (the “Guaranteed Bond Purchase Agreement”), by and among the City, certain City pension funds and State pension funds and the United States, (iii) the Agreement to Guarantee dated as of Novem-
ber 15, 1978 (the "Agreement to Guarantee"), by and among the United States, the State, the City, the New York State Financial Control Board and MAC, (iv) the Bond Purchase Agreement (as defined in the Agreement to Guarantee), or (v) the Loan Agreement (as defined in the Agreement to Guarantee), or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor, and the full faith and credit of the United States is hereby pledged for the full payment and performance of the obligations of the United States hereunder.

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. Except as otherwise expressly provided herein, 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 Purchaser have signed this Guarantee, on the date first above written.

UNITED STATES OF AMERICA

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

Secretary of the Treasury

[Purchaser]

...........................................

[Address]
EXHIBIT B

Form of Registered Bond

No. $ 

SERIAL BOND OF
THE CITY OF NEW YORK

Issue of Principal payable

Authorized Issue $

THE CITY OF NEW YORK, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to , or registered assigns, the sum of

Dollars ($ ), on the day of ,

19 , and to pay interest thereon from the date of this bond until the principal sum hereof shall be paid, at the rate of per cent ( %) per annum, semi-annually on and in each year. Both principal of and interest on this bond will be paid in such coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The principal of this bond is payable at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 4 New York Plaza, New York, New York, and interest on this bond is payable by check mailed to the address of the registered holder hereof as such address appears in the Bond Register maintained at the Office of the Comptroller in The City of New York or by such other means as may be agreed between such holder and the Comptroller.

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

The proceedings authorizing the issuance of the issue of bonds of which this bond is a part contain certain covenants of The City of New York with the holders from time to time of this bond and certain pledges and agreements of the State of New York. Reference is made to such proceedings for a description of the nature and extent of such covenants, pledges and agreements and to the conditions under which such covenants, pledges and agreements may be defeased.
This bond is transferable by the registered holder hereof, in person or by duly authorized attorney, at the Office of the Comptroller in The City of New York, upon surrender and cancellation of this bond, and thereupon a new bond or bonds will be issued to the transferee in exchange herefor.

No transfer of this bond shall be effective until such transfer is entered upon the Bond Register maintained at the Office of the Comptroller in The City of New York. In the hands of the original registered holder only, and in connection with the sale or other disposition of all or a portion of this bond, this bond may be exchanged at any time at the request of such holder for bonds either (a) registered as to principal and interest and in like principal amount in smaller denominations, provided, however, that such bonds shall be in minimum denominations of $25,000 and in integral multiples of $1,000 for denominations in excess thereof; or (b) in coupon form in substantially the form of this bond, but with changes appropriate to coupon bonds, including provisions for the publication of notice in the case of redemption and for the payment of interest upon the presentation and surrender of the applicable coupon, and in like principal amount in denominations of $1,000 or $5,000. To exchange this bond, the bond shall be surrendered at the Office of the Comptroller of the City and shall be accompanied by a written request for such exchange by an authorized person specifying the denominations and the number of bonds to be delivered in exchange for this bond and whether such bonds should be in registered or coupon form, and no charge shall be made to the original registered holder of this bond for such exchange.

This bond is one of an authorized issue of serial bonds of The City of New York having an aggregate principal amount of $, all of which are of like tenor except as to number, maturity and denomination. The bonds shall not be redeemable at the option of The City of New York on or prior to June 30, 1982. Thereafter, the bonds shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, upon at least 30 days’ prior written notice to the holders, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.

[Bonds sold or otherwise disposed of by the original registered holder (other than to a successor in interest not involving a change in beneficial ownership) shall not be redeemable prior to the eleventh anniversary of their date of issuance. After such eleventh anniversary, the bonds so sold]
or otherwise disposed of shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, upon at least 30 days' prior written notice to the holders, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.]

If notice of redemption shall have been given as aforesaid, the bonds to be redeemed shall become due and payable at the redemption price on the redemption date therein designated, and if, on the redemption date, monies for payment of the redemption price of all the bonds to be redeemed, together with interest to the redemption date, shall be available and either shall be applied to such payment on such redemption date, or shall be segregated by The City of New York and held in trust for the benefit of the holders of the bonds for a period of three years from such redemption date, then from and after the redemption date interest on such bonds shall cease to accrue.

The issue of bonds of which this bond is a part shall be fully defeased and the obligations of The City of New York thereon and hereunder, including the obligation of The City of New York to make future payments of principal and interest with respect to such issue of bonds, shall be fully discharged and of no further force and effect at such time as (i) notice of redemption of such issue of bonds shall have been given in accordance with the terms of such bonds and (ii) there is on deposit with a bank, trust company or other fiduciary, located in the Borough of Manhattan in The City of New York and with stated capital and surplus in excess of $500,000,000, in a separate trust account, which shall not be reachable by any creditor of said bank, trust company or other fiduciary and which shall be used only for the benefit of the holders of outstanding bonds of such issue, sufficient monies, or direct obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the principal of and/or interest on which will provide sufficient monies, to pay punctually when due prior to maturity by redemption at the earliest time such issue of bonds may be redeemed in accordance with their terms (or at maturity if there remain no interest payment dates prior to maturity), all principal of and interest on all outstanding bonds of such issue and (iii) irrevocable instructions from The City of New York

* This provision shall be inserted in the bonds in the event applicable law permits the redemption of only those bonds of an issue of bonds which continue to be guaranteed by the United States of America but does not require the redemption of any bonds in the same issue which are no longer guaranteed by the United States of America.
to such bank, trust company or other fiduciary to make such payment of such principal and interest with such monies shall have been given, or at such time as all principal of and interest on all outstanding bonds of such issue shall have been paid by The City of New York as and when the same shall have become due.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this bond exist, have happened and have been performed, and that the issue of bonds of which this is one, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of the State of New York.

In Witness Whereof, The City of New York has caused this bond to be executed in its name by the manual or facsimile signature of its Mayor and by the manual or facsimile signature of its Comptroller and its common seal to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon and attested by its City Clerk or his Deputy, and this bond to be dated the .... day of ................., 19 ....

The City of New York

By ........................................
Mayor

By ........................................
Comptroller

[seal]

Attest:

........................................
City Clerk
[FORM OF REVERSE OF BOND]

No. ..............

SERIAL BOND

OF THE

CITY OF NEW YORK

$ 

INTEREST AT 

...........................................

PER ANNUM

PAYABLE SEMI-ANNUALLY

ON ...................................... AND ........................................

PRINCIPAL DUE 

........................................, 19
EXHIBIT B-1
Form of Coupon Bond

No. $ 

SERIAL BOND OF
THE CITY OF NEW YORK

Issue of Principal payable
Authorized Issue $ 

THE CITY OF NEW YORK, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to bearer the sum of Dollars ($ ), on the day of , 19 , and to pay interest thereon from the date of this bond until the principal sum hereof shall be paid, at the rate of per cent (%) per annum, semi-annually on and in each year, upon presentation and surrender of the annexed interest coupons as they severally become due. Both principal of and interest on this bond will be paid in such coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 4 New York Plaza, New York, New York.

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

The proceedings authorizing the issuance of the issue of bonds of which this bond is a part contain certain covenants of The City of New York with the holders from time to time of this bond and certain pledges and agreements of the State of New York. Reference is made to such proceedings for a description of the nature and extent of such covenants, pledges and agreements and to the conditions under which such covenants, pledges and agreements may be defeased.

This bond and appurtenant coupons are negotiable and transferable by delivery.

This bond is one of an authorized issue of serial bonds of The City of New York having an aggregate principal amount of $ , all of which are of like tenor except as to number, maturity and denomi-
nation. The bonds shall not be redeemable at the option of The City of New York on or prior to June 30, 1982. Thereafter, the bonds shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.

[Bonds of this issue that are not guaranteed by the United States of America shall not be redeemable prior to the eleventh anniversary of their original date of issuance. After such eleventh anniversary, such bonds shall be redeemable in whole or in part on any interest payment date at the option of The City of New York, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed, at 100% of the principal amount of the bonds redeemed plus accrued interest to the date of redemption.]*

Notice of redemption, identifying the bonds or portions thereof to be redeemed, shall be given by The City of New York by publication at least three times in a financial newspaper published and circulated in The City of New York, and in the City Record, the first such publication to occur at least 30 days prior to the redemption date. If notice of redemption shall have been given as aforesaid, the bonds to be redeemed shall become due and payable at the redemption price on the redemption date therein designated, and if, on the redemption date, monies for payment of the redemption price of all the bonds to be redeemed, together with interest to the redemption date, shall be available and either shall be applied to such payment on such redemption date, or shall be segregated by The City of New York and held in trust for the benefit of the holders of the bonds for a period of three years from such redemption date, then from and after the redemption date interest on such bonds shall cease to accrue.

The issue of bonds of which this bond is a part shall be fully defeased and the obligations of The City of New York thereon and hereunder, including the obligation of The City of New York to make future payments of principal and interest with respect to such issue of bonds, shall be fully discharged and of no further force and effect at such times as (i) notice of redemption of such issue of bonds shall have been given in accordance with the terms of such bonds and (ii) there is on deposit with a bank, trust company or other fiduciary, located in the Borough of Manhattan in The City of New York and with stated capital and surplus in excess of $500,000,000, in a separate trust account, which shall not be reachable by any creditor of said bank, trust company or other fiduciary and which shall be used only for the benefit of the

* This provision shall be inserted in the bonds in the event applicable law permits the redemption of only those bonds of an issue of bonds which continue to be guaranteed by the United States of America but does not require the redemption of any bonds in the same issue which are no longer guaranteed by the United States of America.
holders of outstanding bonds of such issue, sufficient monies, or direct obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the principal of and/or interest on which will provide sufficient monies, to pay punctually when due prior to maturity by redemption at the earliest time such issue of bonds may be redeemed in accordance with their terms (or at maturity if there remain no interest payment dates prior to maturity), all principal of and interest on all outstanding bonds of such issue and (iii) irrevocable instructions from The City of New York to such bank, trust company or other fiduciary to make such payment of such principal and interest with such monies shall have been given, or at such time as all principal of and interest on all outstanding bonds of such issue shall have been paid by The City of New York as and when the same shall have become due and payable.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed, and that the issue of bonds of which this is one, together with all other indebtedness of The City of New York, is within every debt and other limit prescribed by the Constitution and laws of the State of New York.

IN WITNESS WHEREOF, THE CITY OF NEW YORK has caused this bond to be executed in its name by the manual or facsimile signature of its Mayor and by the manual or facsimile signature of its Comptroller and its common seal to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon and attested by its City Clerk or his Deputy, and the coupons hereto attached to be authenticated by the manual or facsimile signature of its Comptroller, and this bond to be dated the ... day of ... , 19 ... .

THE CITY OF NEW YORK

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

Mayor

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

Comptroller

[SEAL]

ATTEST:

..................................

City Clerk
FORM OF REVERSE OF BOND

SERIAL BOND

OF THE

CITY OF NEW YORK

$ 

INTEREST AT

..................

PER ANNUM

PAYABLE SEMI-ANNUALLY

ON .................... AND ..................

PRINCIPAL DUE

...................., 19...
[Form of Interest Coupon]

No. $ 

On the day of , The City of New York (unless the bond to which this coupon appertains shall have been duly called for redemption and the redemption price paid or duly provided for) will pay, in such coin or currency of the United States of America which at the time is legal tender for the payment of public and private debts, to bearer, upon presentation and surrender of this coupon at the office of Manufacturers Hanover Trust Company, Corporate Trust Department, 4 New York Plaza, New York, New York, the amount shown hereon, being semi-annual interest then due on its Serial Bond, No., dated , 19.

The City of New York

By ........................................
Comptroller
Comptroller  
The City of New York  
New York, New York 10007

Dear Sir:

We have acted as bond counsel in connection with the sale on this date by The City of New York (the “City”), a municipal corporation of the State of New York (the “State”), of $ aggregate principal amount of its % serial bonds, dated , 19 (the “Bonds”), to the New York City Employees’ Retirement System, the Board of Education Retirement System for The City of New York, the Teachers’ Retirement System for The City of New York, the New York City Police Pension Fund, Article 2, the New York State Teachers’ Retirement System and the Comptroller of the State of New York, as Trustee for the New York State Common Retirement Fund (the “Purchasers”), pursuant to the Guaranteed Bond Purchase Agreement (the “Purchase Agreement”), dated as of November 15, 1978, among the United States of America (the “United States”), acting by and through the Secretary of the Treasury, the City and the Purchasers.

The Bonds provide that interest thereon is payable from , 19 , at the rate of per centum per annum, on , 19 , and semi-annually thereafter on and in each year until maturity. The Bonds are payable in installments on
in each year beginning in 19... in the following aggregate principal amounts:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of Installment</th>
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The Bonds shall not be redeemable at the option of the City on or prior to June 30, 1982. Thereafter the Bonds shall be redeemable in whole or in part on any interest payment date at the option of the City, in inverse order of maturity and pro rata among the holders thereof within each maturity redeemed at 100% of the principal amount of the Bonds redeemed plus accrued interest to the date of redemption; provided, however, that in the event applicable law permits the redemption of only those bonds of an issue of bonds of the City which continue to be guaranteed by the United States but does not require the redemption of any bonds in the same issue which are no longer guaranteed by the United States, Bonds sold or otherwise disposed of by any Purchaser (other than to a successor in interest not involving a change in beneficial ownership) shall not be redeemable prior to the eleventh anniversary of their date of issuance.

As authorized by subdivision one of Section 10-a of the New York State Financial Emergency Act for The City of New York, constituting Chapter 868 of the Laws of 1975 as amended to the date hereof (the “Control Board Act”), the City has included in Section 6.1 of the Purchase Agreement a pledge and agreement of the State relating to the Control Board Act (the “Pledge and Agreement”). In addition, as authorized by subdivision three of Section 10-a of the Control Board Act, the City has included in Section 7 of the Purchase Agreement certain covenants and agreements of the City (the “City Covenants”) and in Section 6.2 of the Purchase Agreement a pledge and agreement of the State relating to the City Covenants (the “Additional Pledge and Agreement”).

We have examined such portions of the Constitution and statutes of the United States, the Constitution and statutes of the State and the Charter of the City, and such applicable court decisions, regulations and rulings as we have deemed necessary or relevant for the purposes of the opinions set forth below. We have also examined such records and made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates by officials and officers of the City and the State pursuant to which the Bonds have been authorized and issued and as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:
1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the punctual payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, without limit as to rate or amount, for payment of the Bonds and interest thereon.

2. Interest on the Bonds accrued after payment of principal and interest on the Bonds is no longer guaranteed by the United States pursuant to the New York City Loan Guarantee Act of 1978, Public Law 95-339 (the "Guarantee Act"), will be exempt from Federal income taxes and from State and City personal income taxes. We render no opinion as to the tax treatment of the interest on the Bonds for Federal, State or City income tax purposes as long as payment of principal and interest on such Bonds is guaranteed by the United States pursuant to the Guarantee Act. In rendering the opinion expressed in this paragraph 2, we have concluded, based on the facts, estimates and expectations set forth in a certification as to arbitrage executed by a City official, that the Bonds are not "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended.

3. The New York State Financial Control Board (the "Board") has been duly created under the Control Board Act and has lawfully been granted and may exercise the power to:

   (a) consult with the City and the covered organizations, as defined in the Control Board Act (the "Covered Organizations"), in the preparation of financial plans, specify the form of and information to be contained in financial plans, specify the supporting information required in connection therewith, and review and state its approval of any financial plan or of any modification of a financial plan, or state its disapproval of any financial plan or of any modification which it determines is incomplete or does not comply with the standards set forth in the Control Board Act; and

   (b) review and make reports and recommendations relating to the operations of the City and the Covered Organizations, audit compliance with any financial plan and obtain information from the City and the Covered Organizations relating to their respective financial conditions and needs.

4. While there is no judicial authority directly in point, the Board has lawfully been granted the powers set forth in the Control Board
Act in addition to those enumerated in paragraph 3 above, and the Control Board Act and the Constitution of the State permit the exercise, at the times contemplated in the Control Board Act, of any of those powers in accordance with the procedures of the Control Board Act, including subdivision 3 of Section 8 thereof, to the extent required to assure that, as required by the Control Board Act, (a) the City will have a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act, (b) contracts entered into by the City, and borrowings of the City, will be in compliance with a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act, and (c) the disbursement of funds by the City, or by the Board for the account of the City in accordance with subdivision 3 of Section 9 of the Control Board Act, will be in compliance with a financial plan which in all material respects conforms to the standards set forth in subdivision 1 of Section 8 of the Control Board Act.

5. The Control Board Act validly requires that (a) the City develop financial plans in the form, and containing the information, specified by the Board, which conform to the standards set forth in subdivision 1 of Section 8 of the Control Board Act and modify those financial plans to the extent necessary to make them conform or continue to conform to those standards, (b) the financial plans developed by the City and information relating to them be submitted to the Board, (c) the budgets and operations of the City and the Covered Organizations at all times be in conformance and compliance with the financial plan of the City (whether developed by the City or adopted by the Board in the lawful exercise of its powers), (d) the City enable a nationally recognized independent certified public accounting firm or a consortium of firms to perform an annual audit of the City’s financial statements in accordance with generally accepted auditing standards, (e) the City establish a general debt service fund in accordance with Section 9-a of the Control Board Act and deposit certain monies in that fund and the Comptroller of the State administer and maintain that fund and disburse monies in that fund in accordance with Section 9-a of the Control Board Act, (f) the Comptroller of the State establish and maintain a TAN debt service account and a RAN debt service account (as those terms are defined in the Control Board Act) within the general debt service fund, pay certain sums into those accounts and make payments of the principal of tax anticipation notes and revenue anticipation notes out of those accounts, and (g) the officials of the City comply with any orders of the Board issued to those officials in the lawful exercise by the Board of its powers.
6. The Control Board Act validly prohibits the City from (a) entering into contracts or issuing obligations which are inconsistent with the financial plan of the City (whether developed by the City or adopted by the Board in the lawful exercise of its powers) in effect at the time the proposed contracts are to be entered into or the proposed obligations are to be issued or (b) issuing obligations which are inconsistent with the provisions of subdivisions one through five of Section 9-b of the Control Board Act.

7. The Pledge and Agreement and the Additional Pledge and Agreement are each a valid and legally binding pledge and agreement of the State which the City is authorized to include in the Purchase Agreement and as a term of the Bonds.

8. The City is authorized to include the City Covenants in the Purchase Agreement and as a term of the Bonds.

9. The Purchase Agreement has been duly executed and delivered on behalf of the City and is a valid and legally binding agreement of the City. The City Covenants are valid and legally binding on the City.

We call your attention to certain factors relating to enforceability as follows:

(a) the enforceability of the terms and conditions of the Bonds and of the payment of principal and interest on the Bonds is subject to the provisions of the Federal Bankruptcy Act and may be subject to other subsequently enacted State or Federal laws relating to creditors’ rights; and

(b) the enforceability of the City Covenants, the Pledge and Agreement and the Additional Pledge and Agreement may be affected by the overriding State interest in promoting the health, safety and welfare of the people of the State.

We wish to advise you that, with the exception of the opinion attributed to us under the caption “Legal Opinions”, we did not act as counsel in connection with the Official Statement of The City of New York, dated 19, which we understand has been made available to the Purchasers in connection with the sale of the Bonds, and we express no opinion on the accuracy or completeness of the statements contained in such Official Statement.

Very truly yours,
EXHIBIT E

Rogers & Wells
Two Hundred Park Avenue
New York, N.Y. 10017

PHONE (212) 972-7000
INTERNATIONAL TELEX
RCA 224433

[Closing Date]

The New York City Employees' Retirement System,
The Board of Education Retirement System for
The City of New York,
The Teachers' Retirement System for The City of New York,
The New York City Police Pension Fund, Article 2,
The New York State Teachers' Retirement System, and
The Comptroller of the State of New York, as Trustee
for the New York State Common Retirement Fund

Dear Sirs:

We are bond counsel to The City of New York (the “City”), a municipal corporation in The State of New York, and on the date hereof we have delivered to the Comptroller of the City an opinion, a copy of which is enclosed herewith, dated the date hereof, in connection with the issuance and sale by the City of $ aggregate principal amount of its % serial bonds. You are entitled to rely on said opinion as though it were addressed to you.

Very truly yours,
To Each of the Purchasers
Listed on the Attached
Schedule of Purchasers

Dear Sirs:

I am the General Counsel of the Department of the Treasury. I am delivering this opinion in connection with the purchase on the date hereof of $ aggregate principal amount of % Serial Bonds (the “Bonds”) issued by The City of New York (the “City”) pursuant to a Guaranteed Bond Purchase Agreement, dated as of November 15, 1978 by and among the City, you and each of the other pension funds named therein (the “Purchasers”), and the United States of America (the “United States”), acting by and through the Secretary of the Treasury (the “Secretary”). The Bonds will be guaranteed by the United States pursuant to Guarantees, dated the date hereof (the “Guarantees”), made by the Secretary pursuant to the New York City Loan Guarantee Act of 1978, P.L. 95-339 (the “Act”).

In this connection, I have examined such portions of the Constitution and laws of the United States and such certificates, documents and materials as I consider necessary and appropriate to the rendering of this opinion.
Based on the foregoing, it is my opinion that:

1. Payment of the full amount of the principal of and interest on the Bonds to each Purchaser thereof has been guaranteed by the United States; provided, however, that the Guarantees, as provided therein and in the Act, are effective only with respect to the Bonds while the Bonds are held by the Purchaser thereof and shall terminate if the Bonds are sold or otherwise disposed of by the Purchaser thereof (other than to a successor in interest not involving a change in beneficial ownership).

2. The Guarantees have been duly authorized, executed, and delivered by the United States and are valid and fully binding obligations of the United States in accordance with their terms, are secured by the full faith and credit of the United States, and are incontestable in the hands of each Purchaser, except for fraud or material misrepresentation on the part of such Purchaser.

Very truly yours,
City of New York Guaranteed Bond Purchase for up to $1,650,000,000 of Bonds of the City of New York as of November 15, 1978

Correspondence, Notes & Memos

1978-1979
NOTICE TO PENSION FUNDS

June 29, 1979

Gentlemen:

Pursuant to Section 1.4(b) of that certain Guaranteed Bond Purchase Agreement dated as of November 15, 1978, as amended (the "Guaranteed Bond Purchase Agreement"), by and among The City of New York (the "City"), certain New York State and City pension funds (collectively the "Pension Funds"), and the United States of America, acting by and through the Secretary of the Treasury, the City hereby delivers to you a schedule for the City's 1980 Fiscal Year which sets forth the Closing Dates and the aggregate principal amount of Bonds to be purchased by each Pension Fund on each Closing Date.

Capitalized terms used in this Notice have the respective meanings set forth in the Guaranteed Bond Purchase Agreement.

Kindly acknowledge receipt of this Notice by dating and signing the enclosed copy hereof in the space provided and returning the same in the enclosed envelope.

Very truly yours,

THE CITY OF NEW YORK

By: [Signature]

Paul M. O'Brien
Third Deputy Comptroller of
The City of New York
This bond sale to the City pension funds was adjourned from May 24, 1979.

During the City's 1980 Fiscal Year,

The New York State Teachers' Retirement System lies not schedued to purchase any pension under the guaranteed bond purchase agreement.

<table>
<thead>
<tr>
<th></th>
<th>Principal Amount of Bonds As of October 1, 1980</th>
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For the Fiscal Year of the City of New York (the "City") Ending June 30, 1980

Principal Amount of Bonds to be Purchased by Each Pension Fund on Each Closing Date

Schedule of Closings
May 24, 1979

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

Re: Request by The City of New York for Federal Guarantees of $50,000,000 aggregate principal amount of City bonds

Dear Mr. Secretary:

By letter dated April 24, 1979, the undersigned requested that you issue Guarantees of the United States of America (the "Guarantees") on May 24, 1979 (the "Closing Date") with respect to $50,000,000 aggregate principal amount of serial bonds of The City of New York (the "City") to be dated and issued on such Closing Date to the Comptroller of the State of New York, as Trustee for the New York State Common Retirement Fund. By letter agreement dated May 21, 1979 between the City and the State Comptroller, a photocopy of which is enclosed, the Closing Date was adjourned from May 24, 1979 to June 28, 1979 (the "Adjourned Closing Date").

Accordingly, 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 City and others, the undersigned request on

Receipt Acknowledged:

May 30, 1979
The Secretary of the Treasury
Special Assistant to the General Counsel
behalf of the City that you issue Guarantees on the Adjourned Closing Date 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: Robert H. Mundheim, Esq.
General Counsel of the Treasury
Room 3000
15th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Copy to Mundheim included in transmission to Lynch.
May 21, 1979

The Comptroller of the State of New York
as Trustee for the New York State Common
Retirement Fund
Alfred E. Smith State Office Building
Albany, New York 12236

Dear Comptroller Regan:

Reference is made to Section 1.4 of the Guaranteed Bond Purchase Agreement dated as of November 15, 1975, by and among certain State and City Pension Funds, The City of New York, and the United States of America. In connection therewith, the City hereby requests your consent to adjourning the purchase of $50 million of bonds by the State Pension Funds scheduled under such Agreement for May 24, 1979 until June 28, 1979.

This will confirm our previous advice that the requested adjournment is necessary in order to give the Financial Control Board additional time to approve a new City Financial Plan for fiscal years 1980-1983, following submission of the Mayor's Executive Budget this month. As you know, an up-to-date Financial Plan approved by the Control Board is a condition to the issuance of Federal guarantees, and representatives of the Secretary of the Treasury have advised the City that the Secretary will refuse to issue any such guarantees until the new Financial Plan has been formally approved. The City anticipates that the Control Board's approval will be given, in accordance with the requirements of the Financial Emergency Act, shortly before the commencement of the City's new fiscal year on July 1.

In accordance with our mutual understanding, we would appreciate your consenting to the requested adjournment by signing a copy of this letter at the place indicated below and returning it to us.

Very truly yours,

[Signature]
Edward I. Koch
Mayor

[Signature]
Harrison J. Goldin
Comptroller

I hereby consent to the foregoing adjournment.
Leslie N. Buch, Esq.
New York City Law Department
100 Church Street
Section F-6 - 5th Floor
New York, New York 10007

Dear Leslie:

Enclosed please find a draft of a ruling request relating to the matter we discussed on the telephone last week. I am also enclosing drafts of certain statements, and a form of power of attorney, in connection with the ruling request.

Please let me have your comments on the enclosed.

Sincerely yours,

Frieda K. Wallison

Enclosures
March 1979

BY HAND

Commissioner of Internal Revenue
Washington, D.C. 20224

Attention: John E. Theberge, Esq.


Gentlemen:

The information set forth below is submitted on behalf of The City of New York (the "City") in support of a requested ruling relating to the exclusion from gross income pursuant to Section 103(a) of the Internal Revenue Code of 1954, as amended (the "Code"), of interest on general obligation serial bonds of the City, the principal of and interest on which have been guaranteed by the United States of America (the "United States") under the New York City Loan Guarantee Act of 1978 (the "Guarantee Act"), after such guarantees have lapsed. Specifically, the City hereby requests a ruling that the City of New York Bond Guaranty Fund (the "Guaranty Fund"), established pursuant to and in accordance with the Guarantee Act, may be disregarded for purposes of determining whether such general obligation serial bonds of the City will be "arbitrage bonds" within the meaning of Section 103(c) of the Code.
The relevant facts are set forth in Part I of this letter. Part II states the reasons for requesting the ruling. Part III states the ruling requested and Part IV contains a statement of authorities.

To the best of the knowledge of the City and the undersigned the identical issues presented by this request for ruling are not presently pending in any field or branch of any regional appeals office of the Internal Revenue Service. Attached to this letter is a Power of Attorney, Form 2848, naming the undersigned and others as the City's representatives in connection with this ruling request.

PART I

Statement of Facts

The City (E.I.N.: 13-6400434) is a municipal corporation of the State of New York (the "State"). Beginning in 1975, the City experienced difficulty in selling its securities. In order to provide financial assistance to the City and to assist the City in its efforts to reenter the public credit markets, Congress enacted the Guarantee Act, which was signed into law by President Carter on August 8, 1978. The Guarantee Act authorizes the Secretary of the Treasury (the "Secretary"), acting on behalf of the United States, to guarantee the payment, in whole or in part, of principal of and interest on not more than $1.65 billion aggregate principal amount of City indebtedness issued to qualified employee pension funds of the City or the State or of an agency of the City or the State (the "Pension Funds," or individually, a "Pension Fund"). The guarantee terminates whenever such indebtedness is sold or otherwise disposed of by such a Pension Fund (other than to a successor in interest not involving a change in beneficial ownership).

The Guarantee Act added a new Section 103(f) to the Code which makes Section 103(a) of the Code inapplicable to guaranteed City indebtedness. However, upon the lapse of a guarantee, through sale of such indebtedness by a Pension Fund or otherwise, Section 103(a) of the Code will apply to the non-guaranteed bonds unless they are otherwise deemed to constitute arbitrage bonds within the meaning of Section 103(c) of the Code.
In response to a request by the City dated October 30, 1978, the Service ruled on November 9, 1978 (copy attached as Exhibit A) that the proper date for determining whether City bonds guaranteed pursuant to the Guarantee Act are arbitrage bonds is the date of issue of such bonds, rather than the date the guarantee lapses. The Service noted that the interest on guaranteed City indebtedness will "not be excludible from the gross income of the recipients under Section 103(a) when issued to the Original Holders but may, contingent upon subsequent events, become tax exempt."

As a condition to the Secretary's issuance of guarantees, Section 103(8)(B) of the Guarantee Act requires the State, or an agency of the State, to deposit in a fund approved by the Secretary an amount which, together with all amounts previously deposited in such fund pursuant to the Guarantee Act, will equal not less than five percent of the principal of and five percent of one year's interest on the aggregate of then outstanding guaranteed City indebtedness.

Section 103(8)(B) also provides that the monies deposited in such fund are to be used to pay, or to reimburse the Treasury for paying, principal and interest which the City fails to pay, the payment of which the Secretary has guaranteed. Under Section 103(8)(B), the fund may not be used to pay, or to reimburse the Treasury for paying, an amount in excess of five percent of the principal of, and five percent of one year's interest on, all guaranteed City indebtedness outstanding on the date of the City's failure to pay such amounts.

Pursuant to the foregoing statutory requirements, the Municipal Assistance Corporation For The City of New York ("MAC"), a corporate governmental agency and instrumentality of the State, established the Guaranty Fund by resolution dated November 14, 1978, as amended by resolution dated February 12, 1979 (the "Guaranty Fund Resolution," copies attached as Exhibit B) and the Secretary has approved such fund for purposes of Section 103(8)(B) of the Guarantee Act.
The Guaranty Fund Resolution provides for the deposits by MAC in the Guaranty Fund of the amounts required by Section 103(8)(B) of the Guarantee Act. Previous deposits and deposits with respect to future issues of guaranteed City indebtedness have been and are to be funded by proceeds from the issuance of MAC bonds. In the event monies in the Guaranty Fund exceed, through investment or otherwise, the amount required by the Guarantee Act, the Guaranty Fund Resolution provides that the excess may be transferred to MAC to be used for any corporate purpose of MAC. Also pursuant to the Guaranty Fund Resolution, monies retained in the Guaranty Fund may be used only for the purpose of paying, or reimbursing the Treasury for paying, principal and interest on guaranteed City indebtedness in the event of the City's failure to pay.

The Guaranty Fund terminates when there is no longer outstanding any guaranteed City indebtedness. Amounts deposited in the Guaranty Fund may only be invested in direct obligations of, or obligations guaranteed by, the United States. The interest rate on such invested funds may exceed the interest rate payable on guaranteed City indebtedness.

To date, the City has issued guaranteed City indebtedness in the aggregate principal amount of $350 million. The Guarantee Act contemplates that guaranteed City indebtedness aggregating an additional $1.3 billion may be issued through June 30, 1982. On the occasion of each new issuance of guaranteed City indebtedness, MAC must deposit in the Guaranty Fund the amounts required by Section 103(8)(B) of the Guarantee Act. Although the amounts thus deposited are not expected to exceed in the aggregate five percent of the principal of and five percent of one year's interest on the aggregate amount of outstanding guaranteed City indebtedness, the aggregate of the amounts deposited will, after the next issuance of guaranteed City indebtedness, exceed 15 percent of the principal amount of any one issue of guaranteed City indebtedness.

PART II

Reasons for Requesting Ruling

In relevant part, Section 103(a) of the Code excludes from gross income interest on State and local
governmental obligations, unless the obligations are "arbitrage bonds" within the meaning of Section 103(c) of the Code. Section 103(c) defines "arbitrage bonds" as obligations issued by a State or local governmental unit, the proceeds of which are reasonably expected to be used to acquire other obligations on which the yield will be materially higher than the yield on the obligations of the State or local governmental issuer.

Although the proceeds from the issuance of guaranteed City indebtedness are not expected to be used to acquire other obligations on which the yield will be materially higher than the yield on the guaranteed City indebtedness, except as otherwise permitted by Section 103(c) of the Code, Proposed Regulation §1.103-13 provides that in certain circumstances amounts held in a fund which might be applied to pay principal of and interest on an issue of securities will be treated as the proceeds of such issue for purposes of Section 103(c) of the Code. Because the Guarantee Act and the Guaranty Fund Resolution provide that amounts retained in the Guaranty Fund must be applied to pay, or to reimburse the Treasury for paying, principal and interest on guaranteed City indebtedness if the City fails to pay principal and interest, and because such amounts will exceed 15 percent of the principal amount of any one issue of guaranteed City indebtedness, a ruling by the Service appears to be necessary to clarify the status of the Guaranty Fund in view of Proposed Regulation §1.103-13.

PART III

Requested Ruling

The Guaranty Fund may be disregarded in determining whether guaranteed City indebtedness, whether presently or hereafter issued, will constitute "arbitrage bonds" within the meaning of Section 103(c) of the Code in the hands of persons other than the Pension Funds.

PART IV

Statement of Authorities

The sole reason for establishment of the Guaranty Fund is the requirement in Section 103(b)(B) of the Guarantee Act that such a fund be maintained for the purpose of paying, or reimbursing the Treasury for paying, principal of and interest on guaranteed City indebtedness if the City fails to pay such amounts. Under Section 103(b)(B),
the Guaranty Fund cannot be applied to the payment of indebtedness when it is no longer guaranteed. As previously indicated, guaranteed City indebtedness is excluded from the benefits of Section 103(a) of the Code during the period of guarantee. Thus, the Guaranty Fund may be applied to the payment of City indebtedness only during the period when Section 103(a) of the Code is inapplicable and the possible arbitrage status of such securities not relevant to determining their tax treatment.

Further, the Guaranty Fund was established solely to meet specific requirements of the Guarantee Act which were intended to provide a reserve in connection with the United States' guarantees of City indebtedness. The Guaranty Fund was not established to avoid or evade the provisions of Section 103(c) of the Code.

Finally, Congress intended the Guarantee Act to provide financial assistance to the City. This was to be accomplished in part by providing for Federal guarantees of City indebtedness to enable the City to sell such indebtedness to the Pension Funds. The tax status of such indebtedness was recognized by Congress to be of concern to the Pension Funds, since upon resale of such indebtedness the Federal guarantee will lapse and the marketability of the indebtedness will depend in part upon its tax-exempt status. The Conference Report accompanying the Guarantee Act states that interest on City indebtedness will be taxable only during the period the Federal guarantees are in effect. (Conference Report, Exhibit C.)

The marketability of City indebtedness held by the Pension Funds was also of concern to Congress because upon resale of such indebtedness by the Pension Funds the Federal guarantee will lapse and the potential liability of the United States with respect to its guarantees will be reduced. Under these circumstances, it would be inconsistent with Congress' purposes to deny City indebtedness the benefits of Section 103(a) in the hands of persons other than the Pension Funds because of the Guaranty Fund, particularly because the Guaranty Fund is required for and applicable only to the Federal guarantees of City indebtedness held by the Pension Funds.
Conclusion

For the reasons stated above, the Commissioner should grant the ruling requested. If there is any question as to the granting of a favorable ruling in substantially the form requested, the privilege of a conference is respectfully requested with telephone notice thereof at (212) 972-7000.

Very truly yours,

Enclosures

Robert E. Frisch
STATEMENT OF TAXPAYER

Under the penalties of perjury, I declare that I have examined this request, including the accompanying documents and, to the best of my knowledge and belief, the facts presented in support of the requested ruling are true, correct and complete.

CITY OF NEW YORK

By Allen G. Schwartz
Corporation Counsel
STATEMENT OF TAXPAYER
UNDER SECTION 6110
OF THE CODE

No information other than the name, address and taxpayer's identification number need be deleted from the requested ruling.

CITY OF NEW YORK

By ______________________
Allen G. Schwartz
Corporation Counsel
The City of New York 1 D. No. 13-6400434

hereby appoints (Name, address including ZIP code, and telephone number of appointee(s)) (See Treasury Department Circular No. 230 as amended (31 C.F.R. Part 10), Regulations Governing the Practice of Attorneys, Certified Public Accountants, and Enrolled Agents before the Internal Revenue Service, for persons recognized to practice before the Internal Revenue Service.)


as attorney(s)-in-fact to represent the taxpayer(s) before any office of the Internal Revenue Service for the following internal Revenue tax matters (specify the type(s) of tax and year(s) or period(s) (date of death if estate tax):

All matters pertaining to a request for a ruling on the Federal income tax aspects of the proposed issuance of City of New York General Obligation Serial Bonds guaranteed by the United States of America under the New York City Loan Guarantee Act of 1978.

The attorney(s)-in-fact (or either of them) are authorized, subject to revocation, to receive confidential information and to perform on behalf of the taxpayer(s) the following acts for the above tax matters:

(Strike through any of the following which are not granted.)

To receive, but not to endorse and collect, checks in payment of any refund of Internal Revenue taxes, penalties, or interest. (See “Refund checks” on page 2 of the separate instructions.)

To execute waivers (including offers of waivers) of restrictions on assessment or collection of deficiencies in tax and waivers of notice of disallowance of a claim for credit or refund.

To execute consents extending the statutory period for assessment or collection of taxes.

To execute closing agreements under section 7121 of the Internal Revenue Code.

To delegate authority or to substitute another representative.

Other acts (specify) ..........................................................

Send copies of notices and other written communications addressed to the taxpayer(s) in proceedings involving the above matters to (Name, address including ZIP code, and telephone number):

Robert E. Frisch, Esq.
Rogers & Wells
200 Park Avenue
New York, New York 10017
(212) 972-7000

This power of attorney revokes all earlier powers of attorney and tax information authorizations on file with the same Internal Revenue Service office for the same matters and years or periods covered by this form, except the following:

(Signature) ...................................................(Title, if applicable) ...................................................(Date)

Signature of or for taxpayer(s)
If signed by a corporate officer, partner, or fiduciary on behalf of the taxpayer, I certify that I have the authority to execute this power of attorney on behalf of the taxpayer.

(Signature) ...................................................(Title, if applicable) ...................................................(Date)

(The applicable portion of the back page must also be completed)
If the power of attorney is granted to an attorney, certified public accountant, or enrolled agent, this declaration must be completed.

I declare that I am not currently under suspension or disbarment from practice before the Internal Revenue Service, that I am aware of Treasury Department Circular No. 230 as amended (31 C.F.R. Part 10), Regulations Governing the Practice of Attorneys, Certified Public Accountants, and Enrolled Agents before the Internal Revenue Service, and that:

- I am a member in good standing of the bar of the highest court of the jurisdiction indicated below; or
- I am duly qualified to practice as a certified public accountant in the jurisdiction indicated below; or
- I am enrolled as an agent pursuant to the requirements of Treasury Department Circular No. 230.

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If the power of attorney is granted to a person other than an attorney, certified public accountant, or enrolled agent, it must be witnessed or notarized below. (See Treasury Department Circular No. 230 as amended (31 C.F.R. Part 10), Regulations Governing the Practice of Attorneys, Certified Public Accountants, and Enrolled Agents before the Internal Revenue Service, for persons recognized to practice before the Internal Revenue Service.)

The person(s) signing as or for the taxpayer(s): (Check and complete one.)

☐ Is/are known to and signed in the presence of the two disinterested witnesses whose signatures appear here:

(Signature of Witness)    (Date)

(Signature of Witness)    (Date)

☐ Appeared this day before a notary public and acknowledged this power of attorney as a voluntary act and deed.

(Signature of Notary)    (Date)

NOTARIAL SEAL (if required)

U.S. GOVERNMENT PRINTING OFFICE 1976—0-614-254 54-040-1119
November 14, 1978

MEMORANDUM

TO: List
FROM: Karen Eisenstadt
SUBJECT: City Borrowing Schedule

Attached for your review and comments is a draft of the borrowing schedule the City is required to submit to Treasury pursuant to Section 6.7.8 of the Agreement to Guarantee and to the Control Board pursuant to Section 3.3 of the MAC Bond Purchase Agreement.

Please contact either myself or Steve Levine (X 2557) with any comments regarding the format of the schedule.

Attachment

List: J. Bender M. Schweitzer
M. Smith P. Hopkins
E. Keilin W. Cobbs
A. Decker
M. Ives
P. O'Brien
S. Manilla
BORROWING SCHEDULE OF THE CITY AND MAC FOR FISCAL YEAR 1979
AGGREGATE PRINCIPAL AMOUNT TO BE ISSUED BY MONTH

($ MILLIONS)

<table>
<thead>
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<th>ISSUER, TYPE OF SECURITIES, TYPE OF OFFERING, TYPE OF INVESTOR</th>
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*To be replaced to the extent practicable by the sale of notes in public offerings
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

Commitment Period: September 28, 1979 to June 30, 1982

Maturity: 15 years

Amount:
- FY 1979 - $500 million
- FY 1980 - $250 million

Stand-by Commitment:
- FY 1981 - $300 million
- FY 1982 - $600 million

Participation: 50% by City Pension Funds and 50% by State Pension Funds with commitment of State Funds to be approximately 60% for State Employee Fund and 40% for State Teachers' Fund.

Form: Serial Bonds

Issue Price: Par

Coupon: 25 basis points over yield of United States Treasury bonds with comparable maturity; interest payable semi-annually, beginning six months after issuance.

Principal Repayment: Principal repayments to begin 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, further take-downs may be for shorter maturities, not to be less than ten years.

General:

FY refers to City fiscal year, ending June 30.
CITY PENSION FUND TERMS AND CONDITIONS

1 - An advisory committee shall be formed to review and make recommendations to the City concerning all financing of the City and M.A.C. during the 4 year period beginning in FY 1979. The advisory committee shall consist of representatives of MAC, the U.S. Treasury Department, and the Pension Funds and Financial Institutions participating in agreements to provide financial assistance to the City during the 4 year period (FY 1979 - FY 1982).

2 - The City's financing plan will be reviewed by the Advisory Committee prior to the beginning of each fiscal year, and upon the consent of all parties (including the City) the financing commitments may be revised to reflect existing public credit market conditions and the City's existing financial condition. A reduction in the City's financing needs will reduce the private placements, but in no event shall the amount of debt to be guaranteed be reduced (unless agreed to by the Pension Funds) as a result of a decrease in the financing program for FY 1979 - FY 1982.
1. Appropriate Federal legislation permitting the Pension Funds to purchase City and M.A.C. securities shall have been enacted prior to any purchase by the Pension Fund.

4. All required contributions by the City to the Pension Funds will have been made in accordance with normal and customary practices prior to any Pension Fund purchase.

5. The MAC debt issued pursuant to the Agreement may be presented to MAC for payment after FY 1982 subject to the following conditions:
   a) no election can take place prior to FY 1983
   b) the Pension Funds will agree to invest the amounts received in City securities
   c) the City debt can be of no longer maturity than the MAC debt
   d) the maximum amount to be presented in any year is $150 million.

6. Subject to audited financial statements for each fiscal year from 1978 - 1981, any portion of the general reserve not required to maintain a balanced
budget (as defined by the Emergency Financial Act for that specific period) shall be used to reduce MAC borrowings in the subsequent fiscal year.

Prior to the purchase of standby guaranteed debt by the Pension Funds, the Secretary of the Treasury must find and certify that all of the parties, including M.A.C., the City, and the Clearinghouse Banks, provided reasonable assistance to the City in efforts to obtain public financing. Prior to any purchase, M.A.C. must certify that all of the parties to the Agreements have cooperated in the public marketing of City and MAC securities, and there is reasonable assurance that they will continue to do so after FY 1982.

6 - Material adverse changes preventing purchases:
   a) lack of labor contracts for a majority of City employees
   b) legal action which would prevent Financial Institutions from participating in the financing agreement
Expenses associated with providing information to City Pension Fund participants will be paid by MAC.

10 - Financial institutions have met their commitments and have obtained no financing feature greater than the Pension Funds.

11 - Debt issued pursuant to the Financing Agreement cannot be accelerated as a remedy for failure on the part of the City or MAC to meet conditions contained in the Agreement.

12 - The purchases and commitments of the Funds are to be made individually.
City of New York Amendment
dated as of February 14, 1979
to the Guaranteed Bond Purchase
Agreement dated as of November 15, 1978
AMENDMENT

AMENDMENT dated as of February 14, 1979, to the Guaranteed Bond Purchase Agreement dated as of November 15, 1978 (the "Guaranteed Bond Purchase Agreement"), by and among The City of New York (the "City"), each of the undersigned City pension funds (the "City Pension Funds"), each of the undersigned New York State pension funds and the United States of America, acting by and through the Secretary of the Treasury.

The undersigned hereby agree that:

1. Schedule I to the Guaranteed Bond Purchase Agreement is hereby amended by changing the percentages listed opposite the name of each of the City Pension Funds in the footnote to Schedule I to read as follows:

   New York City Employees' Retirement System ........ 49.8%

   Board of Education Retirement System for The City of New York ........ 1.7%

   Teachers' Retirement System for The City of New York .... 32.0%

   New York City Police Pension Fund, Article 2 ......... 16.5%

2. Except as expressly set forth herein, the terms, conditions, agreements, covenants and provisions of the Guaranteed Bond Purchase Agreement shall not be modified
or otherwise affected hereby, and shall remain in full force and effect.

3. This Amendment 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, when executed by each of the undersigned, shall be effective for all closings pursuant to the Guaranteed Bond Purchase Agreement held subsequent to the date first above written.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be duly executed on their behalf by their respective authorized representatives as of the date first above written.

Approved as to Form:

Allen G. Schwartz,
Corporation Counsel

THE CITY OF NEW YORK

By Edward I. Koch,
Mayor

By Harrison J. Goldin,
Comptroller

UNITED STATES OF AMERICA

By W. Michael Blumenthal,
Secretary of the Treasury
CITY PENSION FUNDS

NEW YORK CITY EMPLOYEES'
RETIREMENT SYSTEM

By

TEACHERS' RETIREMENT SYSTEM
FOR THE CITY OF NEW YORK

By

BOARD OF EDUCATION RETIREMENT
SYSTEM FOR THE CITY OF NEW
YORK

By

NEW YORK CITY POLICE PENSION
FUND, ARTICLE 2

By

STATE PENSION FUNDS

COMPTROLLER OF THE STATE OF
NEW YORK, AS TRUSTEE FOR
THE NEW YORK STATE COMMON
RETIREMENT FUND

By

NEW YORK STATE TEACHERS'
RETIREMENT SYSTEM

By

Edward W. Regan,
Comptroller of the
State of New York
CITY PENSION FUNDS

NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM

By ____________________________

TEACHERS' RETIREMENT SYSTEM FOR THE CITY OF NEW YORK

By ____________________________

BOARD OF EDUCATION RETIREMENT SYSTEM FOR THE CITY OF NEW YORK

By ____________________________

NEW YORK CITY POLICE PENSION FUND, ARTICLE 2

By ____________________________

STATE PENSION FUNDS

COMPTROLLER OF THE STATE OF NEW YORK, AS TRUSTEE FOR THE NEW YORK STATE COMMON RETIREMENT FUND

By ____________________________

Edward V. Regan,
Comptroller of the State of New York

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM

By ____________________________

[Signature]
CITY PENSION FUNDS

By: ____________________________ By: ____________________________

SCHOOL OF EDUCATION RETIREMENT SYSTEM FOR THE CITY OF NEW YORK

By: ____________________________ By: ____________________________

NEW YORK CITY POLICE PENSION FUND, ARTICLE 7

By: ____________________________

STATE PENSION FUNDS

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM

By: ____________________________

CONTROLLER OF THE STATE OF NEW YORK, AS TRUSTEE FOR
THE NEW YORK STATE COMMON RETIREMENT FUND

By: ____________________________

SECURITY INVESTMENT OFFICER

CONTROLLER OF THE STATE OF NEW YORK
City of New York Amendment dated as of Jan. 23, 1979 to the Loan Agreement dated as of November 15, 1978
March 20, 1979

BY HAND

Len Goodwin, Esq.
New York State Financial Control Board
270 Broadway - 21st Floor
New York, New York 10007

Dear Mr. Goodwin:

At the request of Mark Page, I enclose a copy of the Amendment and Waiver, dated as of January 23, 1979 to the Loan Agreement, dated as of November 15, 1978.

Sincerely yours,

Frieda K. Wallison

Enclosures
AMENDMENT AND WAIVER

AMENDMENT AND WAIVER dated as of January 23, 1979 to the Loan Agreement (the "Loan Agreement") dated as of November 15, 1978 between The City of New York (the "City") and the several Lenders listed on Schedule I and Schedule II thereto (the "Lenders").

WHEREAS, the City has requested that the Lenders agree to the amendments to, and waivers in respect of, the Loan Agreement as herein provided, and the Lenders are prepared to make such amendments and waivers.

NOW THEREFORE:

The parties hereto hereby agree that:

1. The Loan Agreement is hereby amended as follows:

(A) The word "Two" in the introductory sentence to Subsection (C) of Subdivision E under the caption "Liens Which May Affect Payment of Per Capita Aid" in Schedule IV of the Loan Agreement shall be changed to "Four", and the following new paragraphs 3 and 4 shall be added following Subsection (C):

"3. Pursuant to Chapter 53 of the Laws of 1978, if the City fails to make payment to the Metropolitan Transportation Authority ("MTA") for maintenance of commuter railroad stations under MTA jurisdiction as required pursuant to Section 1277 of the State Public Authorities Law, then upon certification of any such deficiency by the MTA, the State Comptroller is
to withhold the amount due and owing the MTA from the next succeeding State aid allocated to the City from highway aid, the motor fuel tax and the motor vehicle registration fee distributed pursuant to Section 112 of the Highway Law or per capita State aid pursuant to Section 54 of the State Finance Law. Any amounts due to the State Municipal Bond Bank Agency, the City University Construction Fund, the New York City Housing Development Corporation and the Transit Construction Fund from the City's per capita aid must be paid in full before this lien may be asserted against such aid.

4. Pursuant to Section 39 of the State Judiciary Law, the City is required to repay fifty percent of the City's portion of the amount previously appropriated by the State to the judiciary for the State's 1977 fiscal year. If the City fails to repay such amount when due, the State Comptroller shall withhold payments of per capita aid due to the City until such amounts are repaid in full or until the amounts withheld equal the amount due from the City."

(B) A new category shall be added to Schedule IV to the Loan Agreement as follows:

"H. Liens Which May Affect All Anticipated Revenues Except Sales Tax Revenues

Pursuant to Section 39 of the State Judiciary Law, the State Comptroller under certain circumstances shall deduct from monies payable to the City from the Local Assistance Fund: (i) certain expenses and costs of various courts and court related agencies located in the City and (ii) amounts necessary for the provision of certain goods, services and facilities for courts and court related agencies located in the City, upon the City's failure to furnish and pay such amounts."

2. Each of the Lenders hereby waives any default and any inaccuracy of any representation and warranty which may have arisen, and any failure to satisfy any condition under the Loan Agreement which may have arisen or may arise, by reason of the failure to (A) include in Schedule IV to the Loan Agreement the amendments thereto set forth in Para-
graph 1 hereof or (B) disclose to the Lenders the matters relating to the statutory provisions referred to in such amendments set forth at pages 71, 72 and 77 of the City's Preliminary Official Statement dated January 17, 1979 for its General Obligation Revenue Anticipation Notes, 1979 Series C.

3. Except as expressly set forth herein, the terms, conditions, agreements and covenants in the Loan Agreement shall not be modified or otherwise affected hereby and shall remain in full force and effect.

4. This Amendment and Waiver 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 when (A) executed by all of the Lenders and (B) the Secretary of the Treasury of the United States shall have given his consent hereto pursuant to Section 6.20 of the Agreement to Guarantee. Defined terms herein shall have the meanings given such terms in the Loan Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Waiver to be duly executed on their behalf by their respective representatives as of the date first above written.
Approved as to form:

Corporation Counsel

THE CITY OF NEW YORK

By ____________________________
Mayor

City Comptroller

Bank Lenders

Bankers Trust Company

By ____________________________
 Howard M. Schneider, V.P.

The Bank of New York

By ____________________________

The Chase Manhattan Bank, N.A.

By ____________________________

Chemical Bank

By ____________________________

Citibank, N.A.

By ____________________________

Irving Trust Company

By ____________________________

Manufacturers Hanover Trust Company

By ____________________________

Marine Midland Bank

By ____________________________
Morgan Guaranty Trust Company of New York  National Bank of North America

By ____________________________  By ____________________________

United States Trust Company of New York

By ____________________________

Pension Fund Lenders

New York City Employees' Retirement System  Board of Education Retirement System for The City of New York

By ____________________________  By ____________________________

Teachers' Retirement System for The City of New York  New York City Police Pension Fund, Article 2

By ____________________________  By ____________________________