31 August 1983

To: Board of Directors

From: Dennis Sullivan

Re: Amendment of General Bond Resolutions

Attached for your consideration is a proposed Resolution amending each of the Corporation's General Bond Resolutions.

The adoption of these amendments would conform the language in the First and Second Resolutions to the language in the Corporation's enabling legislation with respect to calculation of amortized value of securities held in each of our Capital Reserve Funds which were purchased above or below par.

The Resolutions as originally adopted presently provide for "periodic" amortization of those securities on their interest payment dates. The statute and the proposed amendments provide for "straight-line" amortization over the life of the securities. The variation in language was inadvertent, and no difference in calculation was intended.

On an annual basis, the difference in results under each of the two methods is not material. Our Audited Financial Statements for the fiscal year ended June 30, 1983 were prepared utilizing the statutory formula.

The amendments would become effective, upon adoption of the attached resolution and its filing with the Trustee, on September 1, 1983, without bondholder consent.

The amending language was drafted by our Bond Counsel, who have advised us that the proposed amendments are authorized or permitted by each of the General Bond Resolutions, and are prepared to deliver an opinion to that effect.
RESOLUTION OF THE MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Pursuant to the provisions of Section 1001 of each of the General Bond Resolution adopted July 2, 1975 and the Second General Bond Resolution adopted November 25, 1975 of the Municipal Assistance Corporation For The City of New York, each as amended and supplemented to the date hereof (the "Resolutions"), Section 702(3) of each of the Resolutions is hereby amended to provide as follows:

"(3) In computing the amount in any fund or account held by the Trustee under the provisions of this Resolution, excepting the Capital Reserve Fund, obligations purchased as an investment of monies therein shall be valued at the cost or market price thereof, whichever is lower, inclusive of accrued interest. In computing the amount of the Capital Reserve Fund, obligations purchased as an investment of monies therein shall be valued at par if purchased at par or at Amortized Value if purchased at other than par. Amortized Value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given date obtained by dividing the total amount of the premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of such purchase; and in the case of an obligation purchased at a premium, by deducting the product thus obtained from the purchase price, and in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any monies or investments in the Capital Reserve Fund."

This resolution shall take effect on September 1, 1983 upon the filing on or before such date of a certified copy hereof with the Trustee identified in each of the Resolutions.


Certified copy filed with Trustee ______, 1983.
24 August 1983

Mr. Daniel H. Harman III
Managing Director
Merrill Lynch Capital Markets
Municipal Finance Department
One Liberty Plaza
New York, NY 10080

Dear Dan:

Many thanks for sending over so promptly the Perspective Reports which I requested. I appreciate greatly this contribution to my education.

Sincerely,

T. Dennis Sullivan
Executive Director

TDS: dnd
24 August 1983

Mr. Arthur B. Spector
Vice President
Municipal Finance Department
Goldman Sachs
85 Broad Street
New York, NY 10004

Dear Arthur:

Just a brief note to thank you for a thoroughly enjoyable lunch the other day. I appreciated very much the opportunity to meet you and your colleagues at Goldman Sachs, and I look forward to working with you in the future.

With best wishes,

Sincerely,

[Signature]

T. Dennis Sullivan
Executive Director

TDS:dnd
24 August 1983

Mr. Frank Smeal
Goldman Sachs
85 Broad Street
New York, NY 10004

Dear Frank:

Just a brief note to thank you for a thoroughly enjoyable lunch the other day. I very much appreciated the opportunity to meet you and your colleagues at Goldman Sachs, and I look forward to working with you in the future.

With best wishes,

Sincerely,

[Signature]

T. Dennis Sullivan
Executive Director

TDS:dnd
24 August 1983

Mr. Robert Downey
Goldman Sachs
85 Broad Street
New York, NY 10004

Dear Bob:

Just a brief note to express my thanks for a thoroughly enjoyable lunch last Thursday. I appreciated greatly the opportunity to meet you and your colleagues at Goldman Sachs, and I look forward to working with you in the weeks and months ahead.

With best wishes,

Sincerely,

T. Dennis Sullivan
Executive Director

TDS:dnd
23 August 1983

To: Felix Rohatyn and Eugene Keilin
From: Dennis Sullivan
Re: Annual Report

Enclosed is a preliminary draft of the text of the 1983 Annual Report. I would appreciate having your comments at your earliest convenience. Our target for submission to the printer remains September 1st.

TDS:dnd
Enclosure
22 August 1983

Robert R. Grew, Esq.
CARTER LEDYARD & MILBURN
Two Wall Street
New York, New York 10005

Re: Bills dated August 19, 1983

Dear Bob:

I am writing to you in accordance with the procedures which have been established for negotiating settlement of outstanding bills which your firm has pending for payment by the Corporation. These bills cover services which your firm has provided for the United States Trust Company of New York, acting as Trustee for the bondholders of the Corporation.

Your four bills dated August 19, 1983, total $2,863.35, including charges of $2,715.00 for personal services, and $148.35 for reimbursable expenses, for services rendered during the month of July 1983.

We are proposing settlement of these bills by reducing the charge for personal services by $162.90, or 6 percent, to $2,552.10. This would reduce the total due your firm for these bills to $2,700.45.

If you are in agreement with this proposal, please so indicate by signing and returning the enclosed copy of this letter.

Sincerely,

[Signature]

Stephen J. Weinstein
Deputy Executive Director and Counsel

ACCEPTED
CARTER LEDYARD & MILBURN

By: __________________________

Date: ________________________

Enclosure
22 August 1983

Mr. Stephen J. McCarthy
Manager
Citibank, N.A.
55 Water Street
New York, New York 10043

Dear Mr. McCarthy:

Section 1.08(d) of the Credit Agreement dated June 3, 1982 between the Municipal Assistance Corporation For The City of New York and Citibank, N.A. requires the Corporation to include, for the purposes of computing coverage tests prior to the issuance of obligations of the Corporation, a current estimate of the structure and interest rates of the bonds to be issued to the Bank under Section 1.08(a) of the Credit Agreement.

Section 1.08(d) also requires that the Corporation and the Bank agree on the structure and interest rates of the proposed issue.

The Corporation intends to include the bonds shown in Exhibit 1 to fulfill the requirement of Section 1.08(d). This structure would satisfy the pricing and structure requirements stated in Sections 1.08(b) and 1.08(c) of the Credit Agreement.

Please indicate your approval of this interest rate and structure by signing this letter in the appropriate location.

Sincerely,

[Signature]

Steven J. Kantor
Deputy Executive Director
and Treasurer

Approved: _______________________

Date: _______________________

SJK:dnd
EXHIBIT I

PROPOSED BONDS TO BE ISSUED TO CITIBANK
UNDER SECTION 1.08(a) OF THE CREDIT AGREEMENT
DATED JUNE 3, 1982

Issue Size: $100 million
Dated Date: July 1, 1983
Issue Date: September 1, 1983
First Coupon: January 1, 1984

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22 August 1983

Mr. Stephen J. McCarthy
Manager
Citibank, N.A.
55 Water Street
New York, New York 10043

Dear Mr. McCarthy:

Section 1.08(d) of the Credit Agreement dated January 6, 1983 between the Municipal Assistance Corporation For The City of New York and Citibank, N.A. requires the Corporation to include, for the purposes of computing coverage tests prior to the issuance of obligations of the Corporation, a current estimate of the structure and interest rates of the bonds to be issued to the Bank under Section 1.08(a) of the Credit Agreement.

Section 1.08(d) also requires that the Corporation and the Bank agree on the structure and interest rates of the proposed issue.

The Corporation intends to include the bonds shown in Exhibit 1 to fulfill the requirement of Section 1.08(d). This structure would satisfy the pricing and structure requirements stated in Sections 1.08(b) and 1.08(c) of the Credit Agreement.

Please indicate your approval of this interest rate and structure by signing this letter in the appropriate location.

Sincerely,

Steven J. Kantor
Deputy Executive Director
and Treasurer

Approved: _________________________

Date: _________________________

SJK:dnd
EXHIBIT I

PROPOSED BONDS TO BE ISSUED TO CITIBANK UNDER SECTION 1.08(a) OF THE CREDIT AGREEMENT DATED JANUARY 6, 1983

Issue Size: $150 million
Dated Date: July 1, 1983
Issue Date: September 1, 1983
First Coupon: January 1, 1984

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<tr>
<td>1993</td>
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</tr>
</tbody>
</table>
22 August 1983

Shimshon Kinory Ph.D.
International University Consultants
220 West 71 Street
New York, NY 10023

Dear Dr. Kinory:

In response to your letters of May 25 and July 25, 1983, the Municipal Assistance Corporation For The City of New York does not participate in public bids.

We apologize for the delay in responding to your request and regret that we could not be of any assistance to you.

Very truly yours,

[Signature]

Steven J. Kantor
Deputy Executive Director
and Treasurer

SJK: dnd
Ladies/Gentlemen:

Some two months ago we mailed you the enclosed letter asking for details in the area of public bids.

Unfortunately we have not received any reply. We would appreciate any effort to expedite mailing us the information requested.

Please accept our thanks in anticipation.

Cordially,

[Signature]

Shimshon Kinory Ph.D.

Enc.
May 25, 1983

Ladies/Gentlemen:

We are in the process of completing a resource book detailing procedures for public bids. In conjunction with this book we would appreciate it if you would advise us as to the following questions:

a) What is the value used by your agency to determine whether public bids should be solicited for a planned project or purchase?

b) What are the criteria used to determine whether a public bid should be issued through O.G.S., the agency or the local facility of the agency?

c) How can an interested company become aware of any public bid issued by your agency or its local facilities?

d) What are the criteria determining the selection of the company being awarded the bid?

e) Who makes the decision as to the final award?

f) What are the items most commonly solicited in the bids issued by your agency and/or its local facilities?

Please accept our thanks in anticipation.

Sincerely,

[Signature]

SK:ra Shimshon Kinory Ph.D.
Date: 22 August 1983

To: Felix G. Rohatyn

From: T. Dennis Sullivan

Re: Recent MAC Activities

I thought it might be helpful if I attempted to summarize briefly MAC activities during the past several weeks. Obviously, if you wish to have a more detailed report on any or all of these subjects, please let me know.

Annual Report

Preparation of the Annual Report is proceeding according to a schedule which will result in a Report by late September. I have enclosed a preliminary draft of the Chairman's letter, a copy of which I have shared with Gene. I would appreciate your reactions at your earliest convenience. In addition, a draft of the Report's text exists and is being revised. It should be available by the time you see this memorandum. Ideally, we should attempt to finalize your letter and the text no later than September 1st.

Financing

MAC has a place on the State Comptroller's Offering Calendar for a competitive sale of $150 million in "early September" for City capital purposes. We are attempting to gather the Finance Committee on Tuesday afternoon, August 23rd at 4:00 p.m. for a discussion of the issues pertaining to this proposed sale. It might be noted that the current version of the Debt Issuance Plan calls for MAC to raise only $100 million for City capital during fiscal year 1984. However, as I suggested in the draft Chairman's Letter, there are some problems with the Plan (at least from my perspective) which require attention, and the purpose of the meeting will be to talk through these issues as well as to nail down the specifics of the September sale.

Committee Meetings

We have recently completed a round of meetings with various Committees of Board. On August 4th the Audit Committee met and approved the Fiscal Year 1983 Financial Statements which now have been published and circulated. (I am enclosing a copy, although you should have already received the booklet.) The Committee also reviewed a proposed fee increase from Price Waterhouse. While the Committee will recommend the increase to the Board, they did secure Price Waterhouse's agreement for a two year fee schedule departing from the practice of annual adjustments. On August 9th, the Administrative Committee met and reviewed the results of the
To: Felix G. Rohatyn  
August 22, 1983

Corporation's FY 1983 budget operations. In addition, the Committee is considering a draft set of guidelines for the staff concerning transportation, meals, travel, entertainment etc. I will spare you this draft for the moment, but this topic will be revisited by the Administration Committee in September. Finally, the Investment Committee met on August 16th with our new investment advisors from Citibank. We reviewed our investment performance through July, talked about the Corporation's investment guidelines, and established a timetable and strategy for coping with recently enacted statutory requirements concerning the investment practices of Public Authorities. (On this topic, I have included a memorandum which attempts to describe the new requirements, most of which the Corporation has been routinely following for several years.)

Commercial Paper

Our efforts to convert the Series 1 Commercial Paper Program have stalled as we await documents from Citibank's attorneys (Shearman and Sterling). I expect that the log jam will be broken next week and that we will be in a position to implement Series 3 by the end of September. In the interim, we have secured the required approval for the Program from Ned Regan.

Discussion with City Officials etc.

I have spent a portion of my time introducing myself and talking with a variety of City officials, investment bankers etc. including Alair Townsend, Mark Page, Dale Horowitz, John O'Brien, Frank Smiel, Bob Downey, Comer Coppie, Elinor Bachrach and others. I have called Mike Finnerty but we have not yet connected. I also had a date with Ken Lipper which was postponed until next week. I talked, however, at some length with Lipper's staff assistant, Abe Biderman. Based on my conversations with Biderman, I think that you can expect a call from Lipper shortly concerning the following subjects:

(a) Possible unhappiness with our planned September sale. I am uncertain whether he will make an issue out of this; however, the recent City fights with the Port Authority and the State make me uneasy. Increasingly, I am acquiring the sense that the City will attempt to exert greater and greater jurisdiction with respect to our capital financing plans. We need to talk about this on Tuesday. (For background, I have enclosed a copy of the
To: Felix G. Rohatyn  
August 22, 1983  
Page -3- 

Mayor's speech to the Citizens Budget Commission which I believe reflects the mood in City Hall.)

(b) Renewed interest in our refunding plans. Was this subject discussed when you had lunch with Ken? I know that his staff people want him to press us for additional budgetary relief, even at the expense of present value losses to the Corporation.

(c) Budding interest in further tapping the Corporation's investment income stream. The City people are beginning to think about FY 1985 and beyond, and I believe they are awakening to the fact that MAC has more resources than they have previously realized.

(d) Possible request for assistance with the water and sewer legislation that is presently stymied in the State Senate. Alair Townsend alluded to the possibility of asking you to intercede with Senator Anderson on this subject.

Steve Kantor and I have been talking with Gene about refundings and the Corporation's investment resources. If time permits, it may be useful to cover all of these topics at Tuesday's meeting.

Miscellaneous

I received a call from a staff member of the State Senate Finance Committee who was running down a rumor that MAC was about to issue "economic development bonds" in conjunction with Brooklyn Union Gas and Brooklyn Polytech. I mentioned this call to Gene.

Also, Ed Kresky has expressed to me on a couple of occasions his reservations about the Port Authority's proposals involving the relocation of State offices from the World Trade Center.

Finally, I have enclosed several clippings which you might find of interest.

TDS:dnd  
cc:E. Keilin  

Enclosures
19 August 1983

Members of the Finance Committee

T. Dennis Sullivan and Steven J. Kantor

Shelf Registration

This memorandum will serve to update you on the status of the "shelf registration" proposal. Upon your approval, the lawyers will draft documents for the full Board's approval, hopefully in time for the annual meeting.

To refresh your memory, the goal of shelf registration is to provide credit markets. The process would work as follows. The Board would authorize the sale of a substantial amount of bonds (e.g. $400 million) at a Board, leaving terms and conditions to be determined by the Finance Committee. The Corporation would then inform the investment banking community that it would be prepared to consider bids for no less than $25 million. Upon the submission of the bids, the Finance Committee would evaluate the bids by comparing the bids to the value of MAC Bonds in the secondary markets. In light of the current projection of interest rates, the Finance Committee would then determine whether the bid was fair. The Corporation would agree to make its determination within hours of the submission of the bid. If the bid is accepted, closing would be seven (7) days later.

There are several reasons why we believe that this program will benefit the Corporation. First, the program will make the Corporation securities more attractive to institutional investors by enabling the investor to specify maturity date and coupon. The advantage to the Corporation would be a lower issuance cost. The program will also enable the Corporation to issue a large amount of securities without disrupting the market place. The technique would be very helpful in completing some of the larger refunding sales that have been discussed.
17 August 1983

Thomas P. Ference, Ph.D
Director, Master's Degree Program
For Executives
212 Uris Hall
Columbia University
New York, NY  10027

Dear Dr. Ference:

I am pleased to write on behalf of the candidacy of Ms. Angelina Saraceno for the Columbia University Master's Degree Program for Executives. Since joining the staff of the Municipal Assistance Corporation For The City of New York in October 1982, Ms. Saraceno has held progressively important managerial posts. Until April 1983, she served as the Corporation's Director of Systems Development. In that capacity, she supervised the development and implementation of both an automated commercial paper program and a portfolio management system used to cope with the Corporation's $2 billion portfolio. In recognition of her extraordinary performance, Ms. Saraceno was promoted this spring to the position of Comptroller, which broadened her responsibilities to include supervising the Corporation's internal accounting functions.

Having only recently joined the Corporation staff in June, I would under ordinary circumstances be reluctant to recommend a candidate to you at this juncture. Angelina Saraceno is not an ordinary person. She is an individual who exhibits considerable personal skills as well as enormous dedication to the projects which she undertakes. While I am not thoroughly familiar with the Master's Degree Program for Executives, I cannot help but conclude that Angelina would be an excellent participant in the Program. I believe she deserves your most careful consideration and I highly recommend her.

Sincerely,

T. Dennis Sullivan II
Executive Director

TDS:dnd
Date: 16 August 1983
To: Gene Keilin
From: T. Dennis Sullivan II
Re: Annual Report

Enclosed is a first draft of the proposed "Chairman's Letter" for the Annual Report. While I am not completely happy with it, I thought that I should circulate it to you now in order to seek your counsel. In addition, a draft of the text (prepared by Steve Weinstein) exists which I am currently reviewing. I should have a copy sent to you in the next day or so.

TDS: dnd
Attachment
The Honorable Mario M. Cuomo
Governor
State of New York
Executive Chamber
Albany, NY 12224

Dear Governor Cuomo:

On behalf of the members of the Board and the staff of the Municipal Assistance Corporation, I am pleased to submit our eighth Annual Report.

As detailed in the pages of this Report, the past year witnessed a number of significant developments in the continuing effort to regain financing independence for the City of New York. Despite some difficulties along the way, the completion of the fiscal year with the third consecutive GAAP-balanced budget represents an enormous achievement for the City, particularly in the context of the serious budgetary problems encountered by numerous municipalities and States throughout the nation. Predictable and recurring budget balance is one of the essential requirements if the City is to meet the challenge of self-sufficiency in the credit markets commencing in January, 1985. It continues to be imperative that fiscal discipline and expenditure restraint be exhibited by the City in order for this goal to be achieved.

Toward this end, I believe that serious consideration should be given to the creation of a permanent Budget
Reserve Account to be financed from annual operating surpluses. Building on the current requirement that the City maintain a $100 million operating reserve, the purpose of the Reserve Account, (which might be capped at a maximum of three percent of the estimated revenues of the ensuing fiscal year) would be to fund unanticipated deficits. A three percent cushion of this type would help break the pattern of constantly increasing taxes and service reductions in response to unanticipated difficulties in the economy and would allow the City the opportunity to adjust its fiscal policies in an orderly fashion throughout all phases of the business cycle. The existence of such a Reserve during 1983 would have diminished the fiscal anguish experienced by the City.

A second necessary component of our efforts is the ongoing re-examination and implementation of a credible long-term financing program. Here again the achievements of 1983 are quite considerable. Together the City and the Corporation exceeded the 1983 requirements of the Debt Issuance Plan, raising a total of $ billion for City capital purposes and the Corporation's debt refunding program. The Corporation intensified its efforts to minimize the cost of capital funds to the City through the issuance of Warrants and the successful introduction of a $250 million Commercial Paper Program. As described in some
detail in the body of this Report, the underlying strength of the Corporation's credit continues to grow, contributing to the high regard extended to MAC obligations despite the substantial difficulties being weathered in some sectors of the municipal markets.

These achievements, however, should not blind us from recognizing the considerable work that remains to be done in order to maintain the credibility of the Debt Issuance Plan. Unresolved questions linger concerning water and sewer financing as well as the implications of the prepayment requirement of federally guaranteed City obligations. Indeed, I believe that the time has arrived for a comprehensive evaluation of both the City's capital plans and its potential financing capabilities. The needs are too great and the success of the Program is too important not to re-examine at this juncture the fundamental assumptions of the Debt Issuance Plan. The cooperation of all concerned parties will be necessary if we are to assure the credit markets and the public of the fundamental soundness of the Plan.

A third element of the overall Program to insure that the City will have the kind of access to the credit markets which it requires is a renewed effort to strengthen the City's economic base. It is simply not enough that a respite from the pattern of escalating deficits, higher
taxes and debilitating service reductions has been achieved. The current situation has been stabilized but the prognosis for the future remains in doubt. The long-term financial health of the City depends on a coordinated effort to strengthen the City's economy and to break the straggle-hold that excessive taxation has on all New Yorkers. The announcement this summer that City and State officials are working together to develop proposals to stem the out-of-State flow of financial center jobs is a significant first step. Nonetheless, much remains to be accomplished if the City is to regain its preeminence as the center of economic and cultural affairs. At MAC, we are developing proposals to channel the considerable savings to be realized from refunding the Corporation's debt into projects that would promote the City's economic viability.

Finally, attention must again be focused on the interrelationships of City and State finances. While the agreement reached this spring on a phased reduction of the City's share of Medicaid costs is a very welcomed development, concern about the State's own budgetary circumstances continues to grow. A recurring balanced State budget is an essential ingredient to the City's financial future.

With only fifteen months remaining before the City will be on its own in securing all of its capital funds, much
remains to be done. The successes of the past year suggest that the ultimate goal of financing independence for the City of New York is potentially within our grasp. However, before the dream can become a reality, it will be necessary for all parties to rededicate themselves to this effort. The citizens of New York should expect nothing less.

Respectfully yours,

Felix G. Rohatyn
Chairman
12 August 1983

To: Investment Committee

From: Maxine H. Gillman

Re: New legislation- Investment Guidelines and Reporting Requirements

Chapter 838 of the State of New York's 1983 Laws ("Chapter 838"), enacted in August 1983 and amending the Public Authorities Law, imposes upon the State's public authorities and public benefit corporations, inter alia, new requirements with respect to the investment of all funds subject to their control. Such new requirements address two major concerns—the adoption of investment guidelines and the reporting of investment procedures and results.

The purpose of this memorandum is to provide a brief synopsis of the provisions of Chapter 838 relating to investments. These provisions become effective on January 1, 1984.

A. Investment Guidelines (Public Authorities Law Section 2925(3))

The investment guidelines to be adopted by each public benefit corporation or public authority are required to contain, at minimum, the provisions which follow. In parentheses following each requirement are existing documents of the Corporation which address the substance of the particular requirement.


2. Procedures for security for investments (General Bond Resolutions, repurchase agreement contract).

3. Requirement for written contracts or in lieu thereof, if written contract is not feasible or is against business practice, a resolution adopting procedures for making investments, which resolution shall specify the security required, type and amount of collateral required and method for valuation of collateral, and requirements for the possession and control of investments. (General Bond Resolutions, repurchase agreement contract).

5. Qualifications standards for investment bankers, brokers, dealers, investment advisers et al.

6. Procedures for reporting on investments and for an independent annual audit of investments.

B. Reporting Requirements (Public Authorities Law Sections 2925(5) and 2925(6)).

There are two reporting requirements. The first involves a quarterly report (or for such other period approved by each entity) from the staff to the Board setting forth an inventory of existing investments, a list of investments acquired since the filing of the last such report, and the "selection of investment bankers, brokers, agents, dealers or auditors."

The second requirement is that of an annual comprehensive investment report, in the case of the Corporation to be submitted to the State Division of the Budget, with copies to the Department of Audit and Control, the Senate Finance Committee and the Assembly Ways and Means Committee, and to be made available to the general public. Such report must incorporate the investment guidelines determined pursuant to Section 2925(3), any amendments to such guidelines, explanations thereof, the results of the annual independent audit, a record of income earned, and a list of fees, commissions, charges, and other like amounts paid to each investment banker, broker agent, dealer, or investment adviser during the period covered by such report.

cc: T. Dennis Sullivan
    Stephen J. Weinstein
    Steven J. Kantor
INVESTMENTS OF PUBLIC AUTHORITIES

Section 2925. Investments of funds by public authorities and public benefit corporations; general provisions.

§ 2925. Investments of funds by public authorities and public benefit corporations; general provisions. 1. Every public authority and every public benefit corporation, whether or not such corporation is otherwise governed by this chapter, (such entities to be hereinafter in this title referred to as "corporation") shall by resolution adopt comprehensive investment guidelines which detail the corporation’s operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the corporation. The investment guidelines approved by the corporation shall be annually reviewed and approved by the corporation.

2. Funds of the corporation, for purposes of this title, shall consist of all moneys and other financial resources available for investment by the corporation on its own behalf or on behalf of any other entity or individual.

3. The investment guidelines approved by the corporation shall include, but not be limited to the following:

(a) A detailed list of the permitted investments of the corporation, which shall be consistent with the appropriate provisions of law relating to the corporation and any additional requirements pursuant to any contract with bondholders and noteholders.

(b) Procedures and provisions to fully secure the corporation’s financial interest in investments; provided that the guidelines may include a description of the circumstances under which the corporation’s financial interest in investments may be less than fully secured.

(c) A requirement that the corporation shall enter into written contracts pursuant to which investments are made, unless the corporation shall by resolution determine that a written contract is not practical or that there is not a regular business practice of written contracts with respect to a specific investment or transaction, in which case the corporation shall adopt procedures covering such investment or transaction. Such contracts and procedures shall include provisions:

(i) deemed necessary and sufficient to secure in a satisfactory manner the corporation’s financial interest in each investment;

(ii) covering the use, type and amount of collateral or insurance for each investment;

(iii) establishing a method for valuation of collateral, and procedures for monitoring the valuation of such collateral on a regular basis;

(iv) for the monitoring, control, deposit and retention of investments and collateral which shall include, in the case of a repurchase agreement, a requirement that the obligations purchased be physically delivered for retention to the corporation or its agent (which shall not be an agent of the party with whom the corporation enters into such repurchase agreement), unless such obligations are issued in book-entry form, in which case the corporation shall take such other action as may be necessary to obtain title to or a perfected security interest in such obligations.

(d) Standards for the diversification of investments, including diversification with respect to types of investments and firms with which the corporation transacts business.
(e) Standards for the qualification of investment bankers, brokers, agents, dealers and other investment advisers and agents which transact business with the corporation, such as criteria covering quality, reliability, experience, capitalization, size and any other factors that, in the judgment of the corporation, make a firm qualified to transact business with the corporation.

(f) Provisions for reporting on the investments of the corporation, including provisions for an annual independent audit of all investments, the results of which shall be available to the board at the time the annual review and approval of investment guidelines is conducted by the corporation.

4. Each corporation shall have the power from time to time to amend such investment guidelines in accordance with the provisions of this title.

5. Each corporation shall direct the preparation and filing with the board of quarterly reports, or reports covering such other period as may be approved by the corporation, from a designated officer or employee regarding any new investments, the inventory of existing investments, and the selection of investment bankers, brokers, agents, dealers or auditors.

6. Each corporation shall annually prepare and approve an investment report which shall include the investment guidelines, as specified in subdivision three of this section, amendments to such guidelines since the last investment report, an explanation of the investment guidelines and amendments, the results of the annual independent audit, the investment income record of the corporation and a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment associated services to the corporation since the last investment report. Such investment report may be a part of any other annual report that the corporation is required to make.

7. (a) Each corporation, a majority of the members of which consist of persons appointed by the governor or who serve as members by virtue of holding a civil office of the state, or a combination thereof, shall annually submit its investment report to the division of the budget and copies thereof to the department of audit and control, the senate finance committee and the assembly ways and means committee.

(b) Each corporation, other than a corporation included under paragraph (a) of this subdivision, shall annually submit its investment report to the chief executive officer and chief fiscal officer of each municipality for the benefit of which it was created and to the department of audit and control.

(c) Each corporation shall make available to the public copies of its investment report upon reasonable request therefor.

8. Nothing contained in this section shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this title.

§ 26. Sections two, three and four of chapter thirty-nine of the laws of nineteen hundred seventy-six, relating to the powers, functions and duties of the New York state public authorities control board, are REPEALED.

§ 27. Nothing contained in this act shall be deemed to alter, modify the terms of, or impair any determination made prior to the effective date hereof by the New York state public authorities control board esta-
lished by section fifty of the public authorities law, nor shall this
act be construed to require any additional or further approval in rela-
tion to commitments, agreements or indebtedness entered into or incurred
pursuant to determinations of the New York state public authorities con-
trol board made prior to the effective date hereof.
§ 28. This act shall take effect immediately, except that sections
twenty-four and twenty-five of this act shall take effect on the first
day of January, nineteen hundred eighty-four.
12 August 1983

Mr. Abraham Biderman
Assistant to the Deputy Mayor
For Finance & Economic Development
City Hall
New York, NY 10007

Dear Abe:

Just a brief note to thank you for seeing me the other day. I enjoyed the tour of City Hall and the chance to talk with you. I found a copy of the most recent Delaware O.S. I am not sure it will be of much help, but I thought you might like to have a copy.

Also, I left without taking a copy of the Mayor's speech. I would very much appreciate receiving a copy along with any other materials which you think might be useful for me to read.

With best wishes and thanks for your help,

Sincerely,

T. Dennis Sullivan II
Executive Director

TDS:dnd
Enclosure

P.S. Let me know when a convenient time to meet Ken appears on his calendar. Undoubtedly, my schedule is less hectic than his and I would be pleased to come over to City Hall on short notice if an opening occurs.
11 August 1983

To: Eugene Keilin
From: T. Dennis Sullivan II
Re: Schedule for Annual Report

In response to your question the other day, I am enclosing a copy of the production schedule for the Annual Report which Steve Weinstein has prepared. I expect to have a draft of the text along with a proposed "Chairman's Letter" during the week of August 15th.

Also, in case you have not already seen it, I am enclosing a copy of the Village Voice article concerning legal fees at the MTA.

TDS: dnd
Enclosure
Richard Ravitch: ill-advised?

**Cuomo Orders Probe of MTA Legal Fees**

Sidney Schwartz, the former deputy state comptroller who is now the MTA's new inspector general, has taken on his first case at the express request of the governor. Cuomo has asked Schwartz to look into the MTA's payment of $1.5 million in outside counsel fees to a Wall Street law firm which includes among its more recent members an old friend and associate of MTA chairman Richard Ravitch. And regardless of what Schwartz discovers, Cuomo's order can only be seen as a continuation of his struggle with Ravitch for control of the authority.

Transit riders should always remember that Ravitch is a real estate man, whose inherited wealth didn't deter him from aggressive activity in that field before he took over the MTA in late 1979. One of his ventures was the development of several hundred acres of the Meadowlands in New Jersey, in which Ravitch was reported to be a partner with Kaden. A lawyer who was then counsel to Governor Brendan Byrne.

Kaden left Byrne's office to join the faculty of the Columbia Law School, having established his credentials as a labor lawyer with the firm of Theodore W. Kheel before he joined Byrne. Ravitch, meanwhile, gave up the family real estate firm and went to the MTA—where he promptly hired Kaden as outside counsel at the reasonable rate of $100 an hour. In 1980, his firm, for the authority, Kaden was paid for 182 hours, or $18,200. The following year, he got $25,256, and in the first two months of 1982 the MTA paid Kaden $31,401—getting steeper, but still within reason.

At that point, Kaden sought to affiliate himself with a large firm, and wound up at the eminent Davis, Polk & Wardwell, established corporate lawyers with little or no background in labor matters. The MTA went to Davis, Polk for outside counsel in labor relations when Kaden joined the firm.

Now over the past year or two, the president of the United Transportation Union, William Beebe, has gotten acquainted with Kaden and Davis, Polk as a result of the strike Beebe led at the MTA's Metro-North commuter rail line this spring. It is Beebe's feeling that Kaden and Davis, Polk encouraged Ravitch's own harsh posture toward the union which led to the prolonged strike, and he became curious about how much the lawyers were being paid hourly while the workers and commuters awaited a settlement.

So, under the Freedom of Information Act, Beebe painstakingly obtained a few facts about the Ravitch-Kaden relationship which, as he told the Post, "smells." And he discovered, in correspondence with MTA general counsel Mary Bass, that between February 1982 and May 1983, the latest figures available, Davis, Polk billed the MTA for $1,578,706 in legal fees, and got every cent. Having learned this much, Beebe wanted to know more, and wrote Bass again asking her to detail "the basis upon which the [legal] fees were charged." Her reply of July 19 stated that, as far as the Davis, Polk bills of 1982-83 were concerned, "there is no breakdown by hour.*"

*If not by hour," asked Beebe in a July 25 letter to Bass, "then what was the basis for the Davis, Polk charges? This is a pertinent question, since nearly every law firm in the city now charges not only by the hour, but by the minute. And it would be hard to see how Kaden could have accounted for the 15,000 hours required to mount up a $1.5 million tab at $100 per. Beebe has now expanded his FOI request to include copies of all bills submitted by Davis, Polk and by Kaden, and any other related correspondence.

Neither Ravitch nor Kaden was available for comment. But the MTA chairman may return from vacation to find himself in a full-scale war with the governor, as his agency suffers the kind of search-and-destroy analysis of patronage and legal graft undertaken by Cuomo at the Urban Development Corporation.
The schedule for production of the 1983 Annual Report includes the following critical dates:

August 5  Financial Statements and Management Section
August 25  Text and Management Report
August 31  Artwork
September 1 Chairman's Letter
September 21 Delivery of Finished Report
September 28 Publication Deadline

(90 days after close of fiscal year under MAC bond covenants)
11 August 1983

Honorable Edward V. Regan
Comptroller
STATE OF NEW YORK
Department of Audit & Control
A.E. Smith Office Building
Albany, NY 12224

Dear Mr. Regan:

Just a brief note to thank you for your prompt consideration and approval of the Corporation's Series 3 Commercial Paper Program. If only I could get the lawyers to draw the final documents as expeditiously, we would be in a position to begin the transition from Series 1 to Series 3.

Since I have not yet had an opportunity to introduce myself to you, I wonder whether there might be a convenient time for me to do so. I will be calling your office shortly to see if an appointment can be arranged.

Again, my thanks for your help with the Series 3 Program.

Sincerely,

[Signature]

T. Dennis Sullivan II
Executive Director

TDS:dnd
11 August 1983

Mr. William G. Bowen
Princeton University
President's Room
Princeton, NJ 08544

Dear Bill:

Just a brief note to thank you for your thoughtful letter of August 4th. Obviously, the people of the News Journal get carried away. Perhaps, they simply wanted to make sure I was really leaving.

Susan and I hope to see you and Mary Ellen in the near future. Also, if you are ever downtown and need a telephone, please feel free to stop by the MAC offices.

With best wishes,

Sincerely,

T. Dennis Sullivan II
Executive Director

TDS:dnd
11 August 1983

Mr. Daniel H. Harman III
Managing Director
Merrill Lynch White Weld
Capital Markets Group
Municipal Finance Department
One Liberty Plaza
New York, NY 10005

Dear Mr. Harman:

Thank you for your letter of August 3rd concerning the various publications which are issued by the Finance Department. I find these reports quite helpful, and I very much appreciate receiving them.

Since I am relatively new at MAC, I would like to take advantage of your kind offer to provide additional information. If at all possible, I would be interested in receiving the following Perspective reports:

No. 1, January 17, 1983
No. 4, January 31, 1983
No. 7, February 28, 1983
No. 8, March 7, 1983
No. 11, March 28, 1983
No. 14, May 2, 1983

With best wishes and thanks for your help.

Sincerely,

[Signature]

T. Dennis Sullivan II
Executive Director

TDS:dnd
Date: 11 August 1983

To: The Members of Investment Committee

From: T. Dennis Sullivan and Steven J. Kantor

Re: Materials for the Investment Committee

There will be a meeting of the Investment Committee of the Board of Directors of the Municipal Assistance Corporation For The City of New York scheduled for Tuesday, August 16, 1983 at 10:00 A.M. at the offices of Wertheim & Co., 200 Park Avenue, 8th Floor.

In addition to the approval of the minutes of the November 11th meeting of the Committee (Exhibit 1), there are three items which the staff proposes for the agenda:

1. Presentation of the market value of the assets of the Corporation as of July 31, 1983 (Exhibit 2) and discussion of investment strategy.

2. Review of the requirements imposed by new legislation concerning investment guidelines and reporting requirements. (Exhibit 3)

3. Discussion of the Corporation's current investment guidelines which are appended as Exhibit 4.
Minutes of the Investment Committee
November 11, 1982

A meeting of the Investment Committee of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held on November 11, 1982 at the offices of Wertheim & Company, 8th Floor, at 2:30 p.m.

The following members of the Committee were present:
   Edward M. Kresky, Chairman
   Andrew P. Steffan

The following members of the Staff were present:
   Heather L. Ruth
   Steven J. Kantor

The following officers of the Bank of New York were present:
   Rochelle Siegel, Vice President

Mrs. Ruth began the meeting by distributing a report prepared by Price Waterhouse on the Internal Accounting Controls and Operating Procedures of the Corporation. She noted that one of the recommendations of the report was that the Investment Committee maintain minutes of its meeting.
After a brief discussion, the Committee voted to maintain minutes of the meetings.

Mrs. Ruth recommended that the Committee members review the Price Waterhouse memorandum, as much of the review dealt with Investment operations. Mr. Steffan said that he had reviewed the document in his role as Chairman of the Audit Committee and found it useful.

The discussion then moved to the issues raised in the memo distributed to the Committee prior to the meeting. The first issue raised was the investment of commercial paper proceeds. Mr. Kantor reported that the Corporation had received a ruling from the Internal Revenue Service which would permit the Corporation to invest in taxable obligations. Previously, the Corporation had invested only in tax-exempt obligations. The staff suggested two alternatives:

1) investing so as to have a matched book, thus limiting the maturity to 45 days
2) investing in securities with maturities of about one year.

Mr. Kresky said that in light of the difference in
yields between a 45 day maturity and one year maturity he would be inclined to have some portion of the commercial paper proceeds invested for a longer period to maximize interest earnings. Mr. Steffan said that he felt that the investment program should be tied to the schedule of City takedowns of proceeds, not to the manner in which they were raised. There was some discussion as to the need to keep the maturities short to maintain the amounts necessary should the City have difficulty entering the market. The rationale of keeping a matched book so that it would be possible to pay off a bank drawdown was deemed to be unimportant.

The Committee determined that the proceeds of commercial paper shall be invested so as 50% of the proceeds shall be invested as if a matched book and 50% of the proceeds shall be invested in longer maturities. The Committee directed that the investment guidelines be amended to reflect this decision.

The second topic of discussion was the proposed purchase by the Corporation of "put" agreements. Mr. Kantor reported that both Salomon Brothers Inc and Goldman Sachs were interested in participating in the program. Mr. Kresky asked what would be the cost of this program. Mr. Kantor
said preliminary estimates indicated approximately $1 million per year, although he hoped the actual cost would be less.

Mr. Kantor explained that the "put" program would accomplish two purposes. One purpose would be to reduce the daily repo position from $15 million to approximately $1 million. The second purpose is to eliminate large repo positions prior to debt service payment dates. After some discussion, the Committee stated that the "put" program proceed, but directed Mr. Kantor to negotiate for the lowest possible cost.

The third topic of discussion was the market value of the assets in the Capital Reserve Funds. Mr. Kantor reviewed the investment performance over the last nine months, noting that market value of the Funds have increased from $125 million less than book value to $10 million less than book value. Ms. Siegel noted that currently the Funds were closer to $30 million.

The staff recommended that the Corporation begin selling some of the securities which comprise the bulk of the losses. Mr. Kantor noted that most of the securities in question were purchased in late 1977. Mr. Steffan noted
that there was little downside risk to this strategy. Mr. Kresky remarked that although the legal valuation requirement was amortized cost, the market value of the Funds was important should the assets of the Funds be called upon to pay debt service.

The Committee recommended that the losses should be distributed over the next two quarters rather than concentrate the losses in the second quarter. Mr. Kantor agreed and said that the program should be completed by March 31, 1983.

The meeting adjourned at 4:00 p.m.
MATERIAL VALUE

The following pages detail the market value of various accounts of the Corporation. A summary is presented below.

<table>
<thead>
<tr>
<th>Account</th>
<th>Par</th>
<th>Market</th>
<th>Cost</th>
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<tr>
<td>1st Cap. Res. Unrestricted</td>
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<td>$130,101,587.88</td>
<td>$127,028,880.78</td>
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<td>Bond Service</td>
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<td>Debt Service</td>
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<td>33,113,608.34</td>
<td>32,207,880.66</td>
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<td>Bond Proceeds</td>
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<td>521,321,948.81</td>
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<td>Commercial Paper I</td>
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<td>104,151,446.14</td>
</tr>
<tr>
<td>Commercial Paper II</td>
<td>154,455,366.00</td>
<td>151,936,432.70</td>
<td>152,107,241.22</td>
</tr>
</tbody>
</table>
12 August 1983

Investment Committee

Maxine H. Gillman

New legislation—Investment Guidelines and Reporting Requirements

Chapter 838 of the State of New York's 1983 Laws ("Chapter 838"), enacted in August 1983 and amending the Public Authorities Law, imposes upon the State's public authorities and public benefit corporations, inter alia, new requirements with respect to the investment of all funds subject to their control. Such new requirements address two major concerns—the adoption of investment guidelines and the reporting of investment procedures and results.

The purpose of this memorandum is to provide a brief synopsis of the provisions of Chapter 838 relating to investments. These provisions become effective on January 1, 1984.

A. Investment Guidelines (Public Authorities Law Section 2925(3))

The investment guidelines to be adopted by each public benefit corporation or public authority are required to contain, at minimum, the provisions which follow. In parentheses following each requirement are existing documents of the Corporation which address the substance of the particular requirement.


2. Procedures for security for investments (General Bond Resolutions, repurchase agreement contract).

3. Requirement for written contracts or in lieu thereof, if written contract is not feasible or is against business practice, a resolution adopting procedures for making investments, which resolution shall specify the security required, type and amount of collateral required and method for valuation of collateral, and requirements for the possession and control of investments. (General Bond Resolutions, repurchase agreement contract).

5. Qualifications standards for investment bankers, brokers, dealers, investment advisers et al.

6. Procedures for reporting on investments and for an independent annual audit of investments.

B. Reporting Requirements (Public Authorities Law Sections 2925(5) and 2925(6)).

There are two reporting requirements. The first involves a quarterly report (or for such other period approved by each entity) from the staff to the Board setting forth an inventory of existing investments, a list of investments acquired since the filing of the last such report, and the "selection of investment bankers, brokers, agents, dealers or auditors."

The second requirement is that of an annual comprehensive investment report, in the case of the Corporation to be submitted to the State Division of the Budget, with copies to the Department of Audit and Control, the Senate Finance Committee and the Assembly Ways and Means Committee, and to be made available to the general public. Such report must incorporate the investment guidelines determined pursuant to Section 2925(3), any amendments to such guidelines, explanations thereof, the results of the annual independent audit, a record of income earned, and a list of fees, commissions, charges, and other like amounts paid to each investment banker, broker agent, dealer, or investment adviser during the period covered by such report.

cc: T. Dennis Sullivan  
    Stephen J. Weinstein  
    Steven J. Kantor
INVESTMENTS OF PUBLIC AUTHORITIES

Section 2925. Investments of funds by public authorities and public benefit corporations; general provisions.

§ 2925. Investments of funds by public authorities and public benefit corporations; general provisions. 1. Every public authority and every public benefit corporation, whether or not such corporation is otherwise governed by this chapter, (such entities to be hereinafter in this title referred to as "corporation") shall by resolution adopt comprehensive investment guidelines which detail the corporation's operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the corporation. The investment guidelines approved by the corporation shall be annually reviewed and approved by the corporation.

2. Funds of the corporation, for purposes of this title, shall consist of all moneys and other financial resources available for investment by the corporation on its own behalf or on behalf of any other entity or individual.

3. The investment guidelines approved by the corporation shall include, but not be limited to the following:

(a) A detailed list of the permitted investments of the corporation, which shall be consistent with the appropriate provisions of law relating to the corporation and any additional requirements pursuant to any contract with bondholders and noteholders.

(b) Procedures and provisions to fully secure the corporation's financial interest in investments; provided that the guidelines may include a description of the circumstances under which the corporation's financial interest in investments may be less than fully secured.

(c) A requirement that the corporation shall enter into written contracts pursuant to which investments are made, unless the corporation shall by resolution determine that a written contract is not practical or that there is not a regular business practice of written contracts with respect to a specific investment or transaction, in which case the corporation shall adopt procedures covering such investment or transaction. Such contracts and procedures shall include provisions:

(i) Deemed necessary and sufficient to secure in a satisfactory manner the corporation's financial interest in each investment;

(ii) Covering the use, type and amount of collateral or insurance for each investment;

(iii) Establishing a method for valuation of collateral, and procedures for monitoring the valuation of such collateral on a regular basis;

(iv) For the monitoring, control, deposit and retention of investments and collateral which shall include, in the case of a repurchase agreement, a requirement that the obligations purchased be physically delivered for retention to the corporation or its agent (which shall not be an agent of the party with whom the corporation enters into such repurchase agreement), unless such obligations are issued in book-entry form, in which case the corporation shall take such other action as may be necessary to obtain title to or a perfected security interest in such obligations.

(d) Standards for the diversification of investments, including diversification with respect to types of investments and firms with which the corporation transacts business.
(e) Standards for the qualification of investment bankers, brokers, agents, dealers and other investment advisers and agents which transact business with the corporation, such as criteria covering quality, reliability, experience, capitalization, size and any other factors that, in the judgment of the corporation, make a firm qualified to transact business with the corporation.

(f) Provisions for reporting on the investments of the corporation, including provisions for an annual independent audit of all investments, the results of which shall be available to the board at the time the annual review and approval of investment guidelines is conducted by the corporation.

4. Each corporation shall have the power from time to time to amend such investment guidelines in accordance with the provisions of this title.

5. Each corporation shall direct the preparation and filing with the board of quarterly reports, or reports covering such other period as may be approved by the corporation, from a designated officer or employee regarding any new investments, the inventory of existing investments, and the selection of investment bankers, brokers, agents, dealers or auditors.

6. Each corporation shall annually prepare and approve an investment report which shall include the investment guidelines, as specified in subdivision three of this section, amendments to such guidelines since the last investment report, an explanation of the investment guidelines and amendments, the results of the annual independent audit, the investment income record of the corporation and a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment associated services to the corporation since the last investment report. Such investment report may be a part of any other annual report that the corporation is required to make.

7. (a) Each corporation, a majority of the members of which consist of persons appointed by the governor or who serve as members by virtue of holding a civil office of the state, or a combination thereof, shall annually submit its investment report to the division of the budget and copies thereof to the department of audit and control, the senate finance committee and the assembly ways and means committee.

(b) Each corporation, other than a corporation included under paragraph (a) of this subdivision, shall annually submit its investment report to the chief executive officer and chief fiscal officer of each municipality for the benefit of which it was created and to the department of audit and control.

(c) Each corporation shall make available to the public copies of its investment report upon reasonable request therefor.

8. Nothing contained in this section shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this title.

§ 26. Sections two, three and four of chapter thirty-nine of the laws of nineteen hundred seventy-six, relating to the powers, functions and duties of the New York state public authorities control board, are repealed.

§ 27. Nothing contained in this act shall be deemed to alter, modify the terms of, or impair any determination made prior to the effective date hereof by the New York state public authorities control board esta-
lished by section fifty of the public authorities law, nor shall this act be construed to require any additional or further approval in relation to commitments, agreements or indebtedness entered into or incurred pursuant to determinations of the New York state public authorities control board made prior to the effective date hereof.

§ 28. This act shall take effect immediately, except that sections twenty-four and twenty-five of this act shall take effect on the first day of January, nineteen hundred eighty-four.
MUNICIPAL ASSISTANCE CORPORATION
OF THE CITY OF NEW YORK
INVESTMENT GUIDELINES

The Corporation first promulgated written investment guidelines in May 1981. On September 23, 1981, the Board of Directors appointed an Investment Committee at the Annual Meeting. Since that time, changes in the guidelines have been made only with the approval of the Investment Committee. The following guidelines have been in effect at least since May 1981 except for more recent modifications as indicated.

Pursuant to Section 702 (1) of the First and Second General Bond Resolutions, monies on deposit in accounts established pursuant to such resolutions may be invested in:

(a) direct obligations of the United States of America, direct obligations of the State or obligations the principal and interest of which are guaranteed by the United States of America or the State,

(b) any bond, debenture, note, participation or other similar obligation issued by any of the following Federal agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Farm Credit Banks, Tennessee Valley Authority, Farmers' Home Administration and Export-Import Bank,

(c) if permitted by law, any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are, guaranteed by the Government National Mortgage Association, and

(d) any other obligation of the United States of America or any Federal Agencies which may then be purchased with funds belonging to the State of New York or held in the State treasury.

Pursuant to Section 702 (5) of the Second Bond Resolution, the Corporation may also deposit its monies in interest bearing time deposits or make similar investment arrangements, including but not limited to repurchase agreements, provided that all such investments are continuously and fully secured by obligations of issuers enumerated above at a market value at all times at least equal to the amount of the investment. The Corporation has implemented various guidelines for investment of monies pursuant to Section 702.

***Effective November 11, 1982, replacing guidelines applicable to IPS restricted investment of proceeds***
The Corporation has invested and will continue to invest such funds pursuant to the following guidelines:

1. Investments (excluding assets held under restriction) are to be made in permitted obligations at yields equal to or greater than yields available on United States Treasury obligations of comparable maturity.

2. The maturity structure of investments should reflect both current and anticipated market yields in an effort to maximize total returns over the investment horizon given the anticipated distribution of funds. No investment shall be made which has a maturity date subsequent to July 1, 2008.

3. A minimum of 40% of the long term investments held in the Capital Reserve Funds should be invested in United States Treasury obligations or obligations guaranteed by the United States of America. At least 50% of the total principal and interest due or becoming due during the following 12 month period should be invested in obligations which mature within five years in the Capital Reserve Funds.

4. No more than 60% of the total proceeds of sales of the Corporation's commercial paper notes shall be invested in securities with maturities longer than those of the notes and consistent with the investment of proceeds of the sales of the Corporation's bonds. At least 40% shall be invested in securities with maturities corresponding to the maturities of the notes.

5. A security may be sold, subject to all other restrictions contained herein:

   (a) if at a profit, at any time; or

   (b) if at a loss, if the incremental principal and income to be achieved through the reinvestment of the proceeds of such sale will be equal to or greater than the loss incurred in such sale during the remaining time to the maturity of the original investment; or

***Effective November 11, 1982, replacing guidelines applicable to IRS-restricted investment of proceeds.
(c) if at a loss, offsetting profits are realized through the sale of other obligations; or

(d) if at a loss, the proceeds are invested in shorter or longer maturity investments in anticipation of significant changes in interest rates such that expected total rate of return on the purchased item will exceed that of the item sold over a one year investment time horizon.

(e) if at a loss, if the resulting proceeds are invested in shorter maturities as a result of (1) adjustments in the expected schedule of disbursements or b) in an effort to reduce the market impairment of the account.***

6. Notwithstanding the investment standards set forth in guideline 5 above, no obligation may be sold if as a result of such sale the aggregate amortized cost of the investments of any one of the Capital Reserve Fund would be reduced to an amount less than the respective Capital Reserve Fund requirement.

7. Notwithstanding any of the above, in the event that monies on deposit in the Capital Reserve Funds are required for purposes of the resolutions, obligations may be sold to the extent required in the following order:

(a) obligations in which the present market value exceeds the amortized cost carrying basis;

(b) obligations in which the present market value equals the amortized cost carrying basis;

(c) obligations in which the present market value is less than the amortized cost carrying basis.

8. Put Agreements may be entered into with dealers and dealer banks who are firms which report their activities regularly to the Federal Reserve Bank of New York, and have been approved by the Corporation and the Trustee. Puts on no more than $250 million of securities will be entered into with a single dealer.***

***Effective November 11, 1982, permitting investment in U.S. government obligations for the full period up to a date of interest and principal payments on the Corporation's bonds.
9. Investments may be made in U.S. Treasury Obligations - State and Local Government Series ("SLGS") to comply with the arbitrage regulations promulgated under Section 103 (c) of the Internal Revenue Code as required.

10. Whenever prudent, securities transactions should be completed on a competitive bid basis.

11. Repurchase Agreements

(a) The Corporation shall be limited to investing in repurchase agreements which mature on the next business day, except preceding a holiday, where the maturity may be the second business day. The Corporation shall not invest in reverse repurchase agreements. However, for the required 20 day period preceding the subscription by the Corporation for Obligations of U.S. Treasury - State and Local Government Series, the Corporation shall invest in 20 day repo with a permitted dealer, if no permitted obligations are available.*

(b) The Corporation shall not have, at any one time, an amount greater than $250 million placed in repurchase agreements with any single permitted dealer.**

(c) The present list of permitted dealers consists of the following commercial banks:**

Bank of America, N.T. & S.A.
Bankers Trust Company
Chase Manhattan Bank, N.A.
Chemical Bank
Citibank, N.A.
Manufacturers Hanover Trust Company
Mellon Bank, N.A.
Morgan Guaranty Trust Company of New York
United States Trust Company of New York
(Up to a maximum of $2 million)

**Effective July 2, 1982.
INVESTMENT GUIDELINES
PAGE -5-

(d) Broker dealers obtaining a letter of credit from one of the permitted banks (except U.S. Trust), assuring the Corporation cash in exchange for collateral securities on demand, may be added to the Corporation's list of permitted dealers, upon approval of the Investment Committee.**

(e) The amount of investment in repurchase agreements in the Debt Service, Bond Service, Operating, Bond Proceeds, NYC Bond, and Municipal Trust (Sinking Fund) Accounts shall not exceed 25% of the par value of the total assets of these accounts.**

(f) The amount of investment in repurchase agreements in the Capital Reserve Accounts shall be limited to 1% of the total par value of the combined accounts.**

**Effective July 2, 1982.
Koch Abolishes Times Sq. Pact With the State

Says City Will Develop Area Without U.D.C.

By MARTIN GOTTLIEB

New York City yesterday pulled out of an agreement with the state's Urban Development Corporation to redevelop Times Square and said it would complete the $1 billion plan itself.

Mayor Koch announced the withdrawal in a statement read by the chairman of the City Planning Commission, Herbert J. Sturz, at a board meeting of the Times Square Redevelopment Corporation. The Times Square agency is made up of two members appointed by the city, including Mr. Sturz, and three by the U.D.C., including its chairman and president, William J. Stern.

After the Mayor's statement was read, the three U.D.C. appointees voted, as Mr. Koch had expected, to designate one development team over another favored by the city for a crucial part of the Times Square plan.

Objection to Board Decision

Mr. Koch charged in his statement that this decision was being made "over my objection and without my consent."

"In light of the unwillingness of Bill Stern to work with us as a partner," the statement went on, "the city will assume sole responsibility for the 42d Street project, with the Public Development Corporation acting as the lead agency."

The Public Development Corporation is a city agency.

The city's pullout created a welter of confusion over the plan, which would replace the most tawdry section of the Times Square area — that around 42d Street between Seventh and Eighth Avenues. A mix of large office buildings, a new hotel, theaters and a 2.4-million-square-foot merchandise mart would be built here.

The merchandise center and who would develop it along Eighth Avenue from 40th to 42d Street prompted yesterday's dispute. But a larger issue in the Mayor's statement was that, and other major decisions involving the massive project. Mr. Stern believes the five-member board of the Times Square Redevelopment Corporation should make the decisions. The Mayor contends he and the U.D.C. should decide jointly. Mr. Koch says a memorandum of understanding, signed June 1, supports him.

Mr. Stern said the city's pullout "seriously jeopardizes the Times Square project." He said that Mr. Koch was acting " rashly" and that he hoped "measured good judgment on his part" would resolve the conflict. Both the Mayor and Mr. Sturz said later at City Hall that they hoped the dispute could be settled.

Earlier the Times Square Redevelopment Corporation board voted to designate as developer of the merchandise center a team composed of two New York Builders — Paul Milstein and Alan Weiler — and a shopping mall developer, A. Arthur Tishman. The city favors a team comprised of Park Tower Realty, the Equitable Life Assurance Society, and Trammell Crow of Dallas, a large commercial developer.
 Accord on Times Sq. Project Is Set by Cuomo and Koch

By MARTIN GOTTLIEB

Governor Cuomo and Mayor Koch yesterday announced an agreement that would allow the $1 billion redevelopment of Times Square to proceed as a joint project of the city and the State Urban Development Corporation.

The agreement, reached at a private meeting between Mr. Koch and Mr. Cuomo on Sunday evening, was achieved two days after the Mayor had canceled the city's memorandum of understanding with the U.D.C. on the project. His action followed a dispute on which of two teams of developers should be designated to build a 2.4-million-square-foot wholesale merchandise mart.

The agreement empowers the head of the Urban Development Corporation, William J. Stern, to negotiate with a combination of the teams.

The battle last week, the latest and most extreme of several in the three-year partnership between the city and the U.D.C., had left each vying to develop the Times Square project itself. Many officials had privately said the failure to work together would endanger the success of the project.

Work Could Start Next Year

Mr. Stern said that the agreement over the weekend would permit the plan to proceed on its present schedule, which calls for condemnation to begin early next year. If acquisition of property goes smoothly, construction is to start by the end of next year.

The project is the largest and most seriously pursued of many that have been offered in recent years for the blocks around 42d Street between Seventh and Eighth Avenues. In addition to the mart, the plan calls for four office buildings, a hotel and the renovation of several movie houses into legitimate theaters.

"It doesn't make sense to do things in a divided way," the Governor said at a news conference with the Mayor at the Governor's office in the World Trade Center. "I think maturity has won."

"We have a unanimity of interest and are going to make sure that nothing comes between us when it comes to Times Square," Mr. Koch said.

State-City Conflict

At a board meeting last week of the Times Square Redevelopment Corporation, a U.D.C. subsidiary, Mr. Stern and the two other representatives appointed by the U.D.C. voted to designate as developers of the mart a team made up of Paul Milstein and Alan Weiler, New York builders, and A. Alfred Taubman of Michigan, a developer of shopping centers.

The city's two representatives on the board favored a proposal by Park Tower Realty of New York, which has been designated developer of the office towers; the Equitable Life Assurance Society and Trammell Crow of Dallas, a developer of wholesale marts.

Contending that the decision was made "over my objection and without my consent," the Mayor said last week that the city would develop the whole Times Square project itself.

Mr. Stern said the U.D.C., which has extensive condemnation powers and the ability to override local zoning laws, would do the same.

Meeting Runs an Hour

The new state-city agreement was reached in an hourlong meeting in the Governor's World Trade Center office. Mr. Cuomo had invited Mr. Koch to the session. Aides to both said it was the longest private meeting between the two since Mr. Cuomo took office. The aides said the two had also discussed the Governor's public-works bond issue and a $500 million development-plan proposed by the Port Authority of New York and New Jersey for Hunters Point, Queens.

But Times Square was the center of attention, and the result was an agreement proposed by the Governor and agreed to by the Mayor and Mr. Stern. In it, Mr. Stern is empowered to negotiate with a consortium made up of the Milstein-Weiler-Taubman group and Mr. Crow, who was favored by the Mayor because of his extensive experience in operating wholesale markets.

Mr. Cuomo and Mr. Koch agree to approve the final accord.

In a statement that addressed the Mayor's insistence that no decisions on the project be made without the agreement of the city, the Governor wrote, "The Mayor and I have also agreed that after this matter is resolved, we will work to produce a new arrangement that assures mutuality between the city and the U.D.C. designee to the redevelopment corporation in the making of decisions."

Called a usurpation

Mr. Cuomo said he hoped the decision on developers would be the last major policy decision involving the project. "If we really come to an impasse, we will have an arbiter," he said. "What's important is that we get the thing back on the track."

The Mayor said that the agreement affirms the city's role in the project, ending what he viewed as a usurpation of its power by the Times Square board.

Mr. Stern said the decision satisfied him because by excluding Park Tower, which has been designated to build 21 of the office towers, the city "has maintained a diversity of developers. He said diversity was a crucial factor."
Let the Port Authority Help

Acres of once-thriving New York City waterfront, depressed since shifting transportation patterns destroyed their usefulness, might be reclaimed if fitted out with water and sewer lines and other needed substructures.

The Port Authority of New York and New Jersey offers help in the form of long-term credits to prepare such sites and draw up redevelopment plans. But the Koch administration, enthusiastic at first, has cooled to the idea, apparently because Deputy Mayor Kenneth Lipper doesn't trust the authority. It's a misguided attitude.

The Port Authority flourishes without taxing power by building airports, river crossings, a World Trade Center and bus terminals that businesses and people pay to use. It plows the profits back into essential but unprofitable railroads, highways and airports. With declines in auto and airline use, the authority has asked the two states to let it renovate waterfronts in Long Island City and Hoboken.

New Jersey cheerfully acquiesced, but New York's Legislature quibbled through its recent session despite Mayor Koch's hearty support for the proposal. Now, prodded by Mr. Lipper, the Mayor is backing away.

Mr. Lipper fears that the Port Authority may concentrate on New Jersey, where construction is cheaper. He would offset any potential New Jersey bias by imposing in advance strict requirements on the pace of authority spending in the two states, forcing the authority to pay full taxes on its parts of any development, and limiting tax concessions to private investors. He would guarantee yet more money for New York by making the authority sell the World Trade Center to purchasers who would pay full taxes to New York.

Such a position is impractical. Legislating the exact size, shape and pace of development in advance sets the stage for disaster as legal requirements fall out of phase with market forces. Fixing the level of taxes for either the authority or developers on land with low present value is likely to scare them off. The future of the World Trade Center must depend on the presence of interested buyers, not mandates to sell.

The city will have plenty of chances to defend itself as it negotiates agreements through local planning boards, the Planning Commission and the Board of Estimate. Insisting on too much, too soon, could leave New York with nothing at all.
The municipal crawl to the outer boroughs

The Mayor and the Governor long ago agreed that some state and city offices in Manhattan should be moved to other boroughs.

The idea makes sense. It would cut rental costs and stimulate economic development in the boroughs.

What doesn't make sense is the length of time it's taking.

An attempt last year to move the State Workers' Compensation Board from the World Trade Center to Jamaica, Queens, was dropped because many of the agency's 500 employees objected, citing the area's inadequate public transportation facilities.

Since then, Cuomo has offered to move other agencies to Queens, but he has not said which ones or when.

John Egan, commissioner of the state Office of General Services, is more optimistic. By August 1984, he says, the state will have emptied the Trade Center of 15 to 16 of the agencies that now lease one million square feet of space.

Actually, the Port Authority, which owns the Trade Center, has provided the state with a strong economic incentive to move all 40 of its agencies out of the center. The PA plans to rent the space at higher rates and use the money to fund public works projects.

On the city front, things are progressing more slowly, if at all. To date, the city has moved just 3,200 people and 500,000 square feet of space to other boroughs, including the Fire Dept.'s headquarters — now in downtown Brooklyn — and portions of three other agencies.

But the overall moving program has been plagued by delays. City officials still have no idea how many agencies and employees will move, or when.

Queens Borough President Donald Manes, frustrated and exasperated, has been driven to filibuster a Board of Estimate package of 11 city leases for office space at 40 Worth St. in downtown Manhattan.

"Thus far, we've been getting sympathy from the administration," Manes said. "Sympathy is nice but it's not helping to solve the problem."

What's needed now is some action.
A Cabinet for the Democrats

GEORGE F. WILL

With a sense of duty done, I have chosen senior officials for the next administration, should the nation choose a Democrat, who certainly will be too tired to choose for himself.

Secretary of State. The world is a terrible place, and just the place for Bob Strauss. The stricken field of diplomacy is still littered with the broken remains of those who dealt with him as special trade ambassador. When he was special envoy to the Middle East he did not use an office in the State Department, which suggests a healthy suspicion of the place. Strauss can restore mystery and a sense of the exotic to diplomacy; he has a thicker accent than Kissinger and is less straightforward.

Defense. Scoop Jackson came to Washington the year I was born (1941) and has seen every evolution of strategic doctrine in the nuclear age. There is no procurement problem he has not seen. The benighted public considered him a dull presidential candidate. Actually, he is just calm. He will come in handy in a crisis.

GIA. Lane Kirkland, head of the AFL-CIO, or, better, his wife, Irena. Both were born in nations that hunger for independence, she in Czechoslovakia, he in South Carolina. Perhaps she is too tough: there are some things not even I would do to communists. He represents the Democratic foreign-policy tradition that was overthrown in 1972. Its restoration in the party could be the most important result of 1984.

OMB. As chairman of the Budget Committee, Rep. James Jones of Tulsa knows the grim facts and would be able to do what Stockman did: get an administration off to a fast start. Someone had better. By January 1985, the red ink will be hip high and rising; the recovery will be drowning in it. By August 1985, the chance for sensible action may have passed. Jones knows that two divisive things—tax increases and entitlement reforms—are inescapable.

Treasury. Felix Rohatyn, investment banker, fears more apocalypses than actually are scheduled, but he has what a treasury secretary needs: a lively sense of apprehension. His experience coping with New York City’s financial crisis prepared him to deal with debtor nations. Regarding domestic policy, he bubbles with new ideas (and old ones: he favors a reconstruction fin-

nance corporation), but nobody’s perfect.

Chairman, Council of Economic Advisers. Newsweek’s loss will be the republic’s gain when Lester Thurow is in Washington, spreading skepticism about economic orthodoxies and puncturing cant about “industrial policy.” (He rightly says the nation has had some form of industrial policy since the government started building canals.)

Attorney General. There is no job in government that Edward Bennett Williams could not do with distinction. He declined President Ford’s offer to make him CIA director, but life cannot be all baseball (he owns the Orioles) and a law practice (he is the most formidable lawyer in Washington, which has a few).

Agriculture. Farmers, the most produc-

tive Americans, are carrying this country and are suffering because of their excellence. Working with his friend Strauss, Dwayne Andreas, head of Archer Daniels Midland agriprocessing company, can help expand international markets, turning farm surpluses into more of an asset for the economy and less of a disaster for the budget.

Interior. Rep. Mo Udall loves chipmunks and wilderness and all that good stuff. Also, he is a Westerner and a sponsor of the Central Arizona Project, so he knows the politics and science of water, the resource issue of the late 1980s. (Never mind “high tech” and “merit pay.” If you want to be up to date, learn how to say “Ogallala aquifer.”)

Energy. Charles Curtis, former chairman of the Federal Energy Regulatory Commission, will not be a well-known cabinet member until someone closes the Strait of Hormuz or until current surpluses abate, as they will. Then there will be pressures to regulate everything, pressures Curtis could moderate.

Health and Human Services. The Republic-

lcan Party needs a Vernon Jordan. The way to make the Vernon Jordan a Republican is to sentence him to this department. He will soon see what makes Republicans inveigh against the tangle of domestic programs. His most pressing problem will be containing health costs. Then he can try to say and do what needs saying and doing about the most damming domestic problem, the disintegration of black families.

Housing and Urban Development. Henry Cisneros, San Antonio’s 36-year-old Hispanic mayor, understands (having experienced) upward mobility, for municipalities as well as individuals. His city’s recent growth derives from local assets, natural and planned.

Education. Diane Ravitch, author of “The Troubled Crusade: American Education, 1945-1980” (out in September) will not try to reinvent the wheel. She knows every intellectual fad that has faded, and what has been learned. For example: keep social scientists on short leashes.

Labor. Having been head of New York City’s transit system, Richard Ravitch has seen the worst that life can throw at him, so he can use his spare time to help his wife tame the National Education Association.

Commerce. Would you want your child to grow up to become secretary of commerce? But someone has to be, and Peter McCollough, chairman of Xerox, could teach Democrats to love commerce.

Transportation. Having rescued Chrysler (and, more important, reinvented the convertible) Lee Iacocca’s turbo-charged temperament should be focused on the auto industry and auto safety. Besides, it would be good to have him at the cabinet table to snort disrespectfully when anyone gets too pious about that fiction “free trade.”

U.N. Ambassador. Sen. Christopher Dodd is so fond of the Third World he deserves a chance to enjoy the company of its representatives.

White House Chief of Staff. Harry McPherson worked for LBJ so perhaps he has suffered enough. But he has learned what government experience teaches: what won’t work. A lawyer and author of a superb memoir, “A Political Education,” his return to the White House would at least result in another fine memoir. How many appointees give the nation as much?
Richard Ravitch: ill-advised?

Cuomo Orders Probe of MTA Legal Fees

Sidney Schwartz, the former deputy state comptroller who is now the MTA's new inspector general, has taken on his first case at the express request of the governor. Cuomo has asked Schwartz to look into the MTA's payment of $1.5 million in outside counsel fees to a Wall Street law firm which includes among its more recent members an old friend and associate of MTA chairman Richard Ravitch. And regardless of what Schwartz discovers, Cuomo's order can only be seen as a continuation of his struggle with Ravitch for control of the authority.

Transit riders should always remember that Ravitch is a real estate man, whose inherited wealth didn't deter him from aggressive activity in that field before he took over the MTA in late 1979.

One of his ventures was the development of several hundred acres of the Meadowlands in New Jersey, in which Ravitch was reportedly assisted by one Lewis Kaden, a lawyer who was then counsel to Governor Brendan Byrne.

Kaden left Byrne's office to join the faculty of the Columbia Law School, having established his credentials as a labor lawyer with the firm of Theodore W. Kheel before he joined Byrne. Ravitch, meanwhile, gave up the family real estate firm and went to the MTA—where he promptly hired Kaden as outside counsel at the reasonable rate of $100 an hour.

In 1980, his first year working for the authority, Kaden was paid for 182 hours, or $18,200. The following year, he got $55,256, and in the first two months of 1982 the MTA paid Kaden $31,401—getting steeper, but still within reason.

At that point, Kaden sought to affiliate himself with a large firm, and wound up at the eminent Davis, Polk & Wardwell, established corporate lawyers with little or no background in labor matters. The MTA went to Davis, Polk for outside counsel in labor relations when Kaden joined the firm.

Now over the past year or two, the president of the United Transportation Union, William Beebe, has gotten acquainted with Kaden and Davis, Polk as a result of the strike Beebe led at the MTA's Metro-North commuter rail line this spring. It is Beebe's feeling that Kaden and Davis, Polk encouraged Ravitch's own harsh posture toward the union which led to the prolonged strike, and he became curious about how much the lawyers were being paid hourly while the workers and commuters awaited a settlement.

So, under the Freedom of Information Act, Beebe painstakingly obtained a few facts about the Kaden-Ravitch relationship which, as he told the Post, "smells." And he discovered, in correspondence with MTA general counsel Mary Bass, that between February 1982 and May 1983, the latest figures available, Davis, Polk billed the MTA for $1,578,706 in legal fees, and got every cent.

Having learned this much, Beebe wanted to know more, and wrote Bass again asking her to detail "the basis upon which the [legal] fees were charged." Her reply of July 19 stated that, as far as the Davis, Polk bills of 1982-83 were concerned, "there is no breakdown by hour."

"If not by hour," asked Beebe in a July 25 letter to Bass, "then what was the basis for the Davis, Polk charges?" This is a pertinent question, since nearly every law firm in the city now charges not only by the hour, but by the minute. And it would be hard to see how Kaden could have accounted for the 15,000 hours required to mount up a $1.5 million tab at $100 per. Beebe has now expanded his FOI request to include copies of all bills submitted by Davis, Polk and by Kaden, and any other related correspondence.

Neither Ravitch nor Kaden was available for comment. But the MTA chairman may return from vacation to find himself in a full-scale war with the governor, as his agency suffers the kind of search-and-destroy analysis of patronage and legal graft undertaken by Cuomo at the Urban Development Corporation.

Lewis Kaden: big fees
MEMORANDUM

TO: Dennis Sullivan
FROM: Steve Weinstein
RE: United States Trust Company Fees
DATE: 5 August 1983

Presented below is a summary of the fee schedule for services provided to the Corporation by the United States Trust Company in effect for an 18-month period from January 1982 to July 1983, compared with the fee schedule proposed by them for the six months beginning July 1983. Also shown are actual charges incurred for our last fiscal year ended June 30, 1983. If accepted, their proposal would result in an annual increase of about $62,000, or 14%, based on last year's activities.

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TOTAL: $ 451,420*

* Plus Disbursements and Counsel Fees at Cost
5 August 1983

Mr. Ralph J. Kellner
President
Kellner & Osburn Associates, Inc.
635 Second Street
Brooklyn, New York 11215

Re: 1983 Annual Report

Dear Mr. Kellner:

This letter is to amend our Agreement of July 12, 1983, regarding graphic design services for the Corporation's 1983 Annual Report, to add to the Scope of Services in Section 1 the procurement of artwork in the form of up to eight line drawings in pen and ink of structures in New York City as designated by the Corporation and executed by Alfred P. Insegno Jr., 27 Eighth Avenue, Brooklyn, New York, hereinafter "Artist".

It is to further amend the Agreement by adding to the Compensation in Section 3 as direct expenses to be billed by you and paid by the Corporation the actual amount paid by you to the Artist, such amount not to exceed $1,500 for each such drawing and not to exceed a total of $10,500 (the sum of $1,500 for the first such drawing having been paid directly by the Corporation to the Artist on July 12, 1983). Accordingly, the cumulative total of all charges under the Agreement shall not exceed $48,500.

You may make a partial payment to the Artist in advance of completion of the drawings but not to exceed $2,500, and you may not pay the balance due the Artist until you obtain his signature on the attached Agreement of Sale and have possession of all of the drawings being purchased in form satisfactory to you.

If you are in agreement, please so indicate by signing the enclosed copy of this letter and returning it to me.

Sincerely,

[Signature]

Stephen J. Weinstein
Deputy Executive Director
and Counsel

ACCEPTED:

[Signature]

Ralph J. Kellner, President
Kellner & Osburn Associates, Inc.

Attachment
AGREEMENT OF SALE

For consideration received in the amount of $12,000, Alfred P. Ingegno Jr., 27 Eighth Avenue, Brooklyn, New York (the "Artist"), hereby sells to the Municipal Assistance Corporation For The City of New York, One World Trade Center, New York, New York (the "Corporation"), eight line drawings in pen and ink of structures in New York City as have been designated by the Corporation. The Artist agrees that the Corporation is the sole owner of the eight drawings for any and all purposes, including publication in the Corporation's 1983 Annual Report and in its quarterly reports for that year and for display in the Corporation's offices. The Artist further agrees that he will not sell or permit any other reproduction, publication or display of any of the eight drawings without the prior written consent of the Corporation.

Alfred P. Ingegno Jr.

Date
Date: 5 August 1983

To: Administration Committee

From: T. Dennis Sullivan II

Re: Materials for the meeting on August 9, 1983 at 10:30 a.m. at the Corporation's office

There will be a meeting of the Administration Committee of the Board of Directors of the Municipal Assistance Corporation For The City of New York on Tuesday, August 9, 1983 at 10:30 a.m. at the Corporation's office, Suite 8901, One World Trade Center.

In addition to the approval of the minutes of the May 10th meeting of the Committee (Exhibit 1), there are three items which the staff proposes for the agenda:

1. Presentation of the audited annual statements for fiscal year 1983 and review of the Corporation's operating fund budget.

2. Consideration of proposed fee increases for various professional services provided to the Corporation.

3. Discussion of a draft policy statement entitled "Expenditure Guidelines for Transportation, Meals, Travel and Other Occasions."

Budget Review: The Annual Statements

For your review, I have enclosed a full copy of the Corporation's audited annual financial statements (Exhibit 2), which were approved by the Audit Committee at their meeting on August 4. In addition, I have included in this package of materials a schedule of expenses for the fiscal year 1983 (Exhibit 3) along with a comparison of the operating results to the May estimate of expenses and the fiscal 1984 budget (Exhibit 4).

I would note that the final audited operating expense total for FY 1983 is $666,000 less ($11.065 million as compared with $10.399 million) than was estimated in May. The major deviation occurred in the Commercial Paper Program and in the expenditures of the Financial Control Board and the Office of the Special Deputy Comptroller. All other expenditures were generally incurred as projected at the May meeting.
Memo To: Administration Committee  
5 August 1983  
Page Two

Fee Increases

In anticipation of the Annual Meeting of the Board, I would recommend that the Committee review the fees for the various professional services provided to the Corporation. I have enclosed a memorandum from Steve Weinstein outlining the fee arrangements with General Counsel and Bond Counsel and proposing an adjustment for Counsel to the Trustee (Exhibit 5). In addition, the Audit Committee considered a proposal from Price Waterhouse (Exhibit 6) for an annual adjustment in their fee schedules. Following discussion, the Committee recommended approval of the new structure but stipulated that the revised fees should remain in effect for a two year period. Finally, the staff has received a proposal for a fee adjustment from the U.S. Trust Company (Exhibit 7). I would suggest that we discuss this proposal at our meeting but that we defer final action until the staff has had an opportunity to review this matter further with representatives of the Trust Company.

Expenditures Guidelines

I have enclosed a draft policy statement entitled "Expenditure Guidelines for Transportation, Meals, Travel and Other Occasions" (Exhibit 8). This document represents a preliminary effort by the staff to specify in writing the policies of the Corporation pertaining to both the reimbursement of staff for transportation, meals, travel etc. as well as the policy pertaining to the expenditures by others. In addition, I have included materials on this topic obtained from other public bodies. While I would recommend that we discuss this matter fully at our meeting in August, we may wish to defer final action for a month while we reflect further on the guidelines.

TDS:dnd
Enclosures
Municipal Assistance Corporation
For The City of New York

Administration Committee Minutes
May 10, 1983

A meeting of the Administration Committee of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held on May 10, 1983 at 9:30 A.M. at the offices of the Corporation, Suite 8901, One World Trade Center in New York City.

The following members of the Committee were present:
Dr. Robert Weaver, Chairman
Francis Barry

The following members of the staff were present:
Steven J. Kantor, Deputy Executive Director & Treasurer
Stephen J. Weinstein, Deputy Executive Director & Counsel.

The minutes of the meeting of February 9, 1983 were presented for approval. Both Dr. Weaver and Mr. Barry suggested an adjustment in the paragraph concerning the discussion of the accountability of the monitoring agencies. The minutes were amended and were adopted.

Dr. Weaver then asked the staff to review the proposed fiscal 1984 budget. Mr. Kantor noted that the total fiscal 1984 budget was less than the total fiscal 1983 budget. The principal reason for the decline is the anticipated reduction in the amount the Corporation expects to have to pay for the credit facilities to back up its commercial paper program. Mr. Kantor told the Committee that the Corporation was already receiving bids for the renewal of the Series 1 Commercial Paper Program.
and had indications to believe that the Corporation would be able to save approximately $500,000.00 on an annual basis. This savings has been budgeted in the 1984 budget and a similar reduction has been budgeted for the Series 2 program which is up for renewal in January. The other expenditures in the Debt Issuance portion of the budget have remained constant as the Corporation expects to sell the same number of issues next year as it has completed this year.

At this point, Mr. Weinstein mentioned that the budget did not include any increase for amounts paid for legal services. Although there was a fee adjustment in January 1983, the Corporation expects the total number of hours provided by our outside counsels, (Paul, Weiss, our general counsel; Hawkins, Delafield & Wood, our bond counsel, and Carter Ledyard, who is counsel for the Trustee but bills the Corporation directly for all work done on behalf of the Trustee for the Corporation) to decrease about 25%. Mr. Weinstein noted that through the first three quarters of this year the total amount of billings have been down 25%. However, Hawkins, Delafield & Wood has performed extensive analysis toward the end of the third quarter and through the fourth quarter on the tax ramifications of our capital reserve funds and thus he expected that the total billing for fiscal 1983 would be very close to the amount originally budgeted.

The Corporation has budgeted an increase expenditures for Debt Administration due to the anticipated increase in fees to the Trustee because of mandatory bond registration. The amount budgeted for Public Notices, however, in Debt Administration has declined due to the
reduction in the amount of First Resolution Bonds required to be called in fiscal 1984.

Special Deputy Comptroller expenditures were budgeted to remain approximately the same as last year. The decrease in the amount budgeted for the Financial Control Board is consistent with their budgetary performance in fiscal year 1983.

Mr. Kantor informed the Committee that negotiations were proceeding toward a new Investment Advisory contract. The Corporation has received bids from seven different firms and the staff was preparing a recommendation to be forwarded to the Investment Committee. It may be necessary to adjust the amount budgeted prior to the submission of the budget. The transaction fees under investment have increased due to our new investment policies which limit the use of repurchase agreements.

Mr. Kantor continued by noting that the budget amount for fiscal 1984 for accounting services has declined, due to two factors. First, this year included special expenditures due to the review by various accounting firms of the new computer systems. These expenditures are expected to be non-recurring. Second, the installation of the Portfolio Management System will hopefully reduce the number of hours spent by Price Waterhouse in reviewing the Corporation's statements. The amount expected to be expended for Data Processing has increased due to the installation of our various computer systems. The amount budgeted for Printing of financial reports has increased due to the publication for the first time of a fourth quarterly statement. In General & Administrative, Other Professional Services and
General Office Expense expenditures are expected to remain the same. Personnel Services has been increased to reflect the anticipated increases in officers' salaries pending the passage of legislation by the State Legislature in Albany.

Dr. Weaver noted that the background memo circulated to the Committee prior to the meeting had been very helpful in explaining many of the assumptions behind the budget. The Committee directed the staff to prepare a memo for their approval submitting the budget to the Board at the June meeting.

**Fiscal 1983 Year To Date Review**

The Committee moved to a review of the fiscal 1983 expenditures to date. Mr. Barry remarked that the memo was very complete in explaining the expenditures to date. He asked why the expenditures by the Financial Control Board were significantly under budget. Mr. Kantor said 1) FCB is billing the Corporation in arrears and has been late and, 2) that the FCB is also affected by the salary cap. As members of the FCB staff departed, hirings have been delayed due to the anticipation that the cap would be lifted. Mr. Kantor noted that the expenditures were proceeding as planned, with the exception of Trustee expenditures as noted in the background memorandum. He reminded the Committee that both the Personnel Services and Other Professional Services expenditures are significantly under budget, for reasons explained in the memo.

Dr. Weaver inquired as to the status of compensation guidelines discussed during the last Committee meeting.
ADMINISTRATION COMMITTEE MINUTES
MAY 10, 1983
Page 5

Mr. Weinstein responded that Allen Thomas of Paul, Weiss had compiled a collection of guidelines from other organizations, both public and private sectors. It is hoped that draft guidelines will be prepared for the Committee's review by the next Committee meeting. Dr. Weaver and Mr. Barry spoke of the importance of having such guidelines as a safeguard against criticism of the staff.

Mr. Kantor and Mr. Weinstein then briefed the Committee on the status of the legislation in Albany proposing the return of the establishment of the Executive Director's salary to the Board of Directors. Mr. Weinstein mentioned that the bill had been approved by both Assembly and Senate Committees. The legislation seemed on its way to approval in the Senate but was facing some opposition in the House. The staff told the Committee they would keep them advised of any further developments.

The meeting was adjourned 10:10 A.M.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>1983</th>
<th>1982*</th>
</tr>
</thead>
<tbody>
<tr>
<td>First General Resolution Bonds</td>
<td>$ 1,848,428,000</td>
<td>$ 2,355,738,000</td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>5,559,090,000</td>
<td>5,015,600,000</td>
</tr>
<tr>
<td><strong>Total bonds payable</strong></td>
<td><strong>7,407,518,000</strong></td>
<td><strong>7,371,338,000</strong></td>
</tr>
<tr>
<td>Commercial Paper Notes</td>
<td>247,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>59,058,673</td>
<td>78,702,594</td>
</tr>
<tr>
<td>Accrued interest on notes payable</td>
<td>586,860</td>
<td>-</td>
</tr>
<tr>
<td>Payable for investment securities purchased</td>
<td>17,052,558</td>
<td>28,713,199</td>
</tr>
<tr>
<td>Required Guaranty Fund balance</td>
<td>71,376,410</td>
<td>84,020,818</td>
</tr>
<tr>
<td>Operating Fund</td>
<td>2,919,136</td>
<td>2,641,913</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>7,805,511,637</strong></td>
<td><strong>7,565,416,524</strong></td>
</tr>
</tbody>
</table>

**Assets:**

<table>
<thead>
<tr>
<th>Debt Service Fund:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,000</td>
<td>2,032</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>356,298,921</td>
<td>335,800,269</td>
</tr>
<tr>
<td>Accrued interest on marketable securities</td>
<td>1,663,004</td>
<td>11,125,604</td>
</tr>
<tr>
<td>City of New York obligations</td>
<td>1,115,407,000</td>
<td>743,822,000</td>
</tr>
<tr>
<td>Accrued interest on City of New York obligations</td>
<td>28,868,300</td>
<td>20,777,306</td>
</tr>
<tr>
<td>Funds Available to Purchase City of New York obligations</td>
<td>748,862,623</td>
<td>812,742,000</td>
</tr>
<tr>
<td><strong>Total Debt Service Fund</strong></td>
<td><strong>2,251,100,848</strong></td>
<td><strong>1,924,269,211</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Reserve Fund:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>158</td>
<td>7,096</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>1,044,751,362</td>
<td>1,015,221,307</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>20,387,762</td>
<td>22,900,303</td>
</tr>
<tr>
<td><strong>Total Capital Reserve Fund</strong></td>
<td><strong>1,065,139,282</strong></td>
<td><strong>1,038,128,706</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guaranty Fund:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>-</td>
<td>32</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>75,979,153</td>
<td>87,012,167</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>770,226</td>
<td>1,370,701</td>
</tr>
<tr>
<td><strong>Total Guaranty Fund</strong></td>
<td><strong>76,749,379</strong></td>
<td><strong>88,382,900</strong></td>
</tr>
</tbody>
</table>

| Operating Fund                      | 5,999,452          | 2,159,672          |
| **Total assets**                    | **3,398,988,961**  | **3,052,940,489**  |
| **Funding requirement**             | **$ 4,406,522,676**| **$ 4,512,476,035**|

See accompanying notes to the financial statements.

*Reclassified for comparative purposes.
**DEBT SERVICE, CAPITAL RESERVE AND GUARANTY FUNDS**

**STATEMENT OF TRANSACTIONS**

For the fiscal year ended June 30,

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount of bonds issued</td>
<td>$454,121,000</td>
<td></td>
</tr>
<tr>
<td>for refunding purposes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>(10,912,027)</td>
<td></td>
</tr>
<tr>
<td>Net proceeds from issuance of bonds</td>
<td>443,208,973</td>
<td>$306,000,000</td>
</tr>
<tr>
<td>Sales tax allocation received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from State of New York</td>
<td>429,800,404</td>
<td>86,000,000</td>
</tr>
<tr>
<td>Per capita aid received from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State of New York</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from investments</td>
<td>134,025,185</td>
<td>133,891,199</td>
</tr>
<tr>
<td>Income from obligations of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of New York</td>
<td>85,515,109</td>
<td>67,904,036</td>
</tr>
<tr>
<td>Accrued interest received on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>issuance of bonds</td>
<td>6,308,007</td>
<td>4,104,303</td>
</tr>
<tr>
<td>City of New York obligations</td>
<td>533,320,000</td>
<td>227,000,000</td>
</tr>
<tr>
<td>acquired</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from Capital Reserve Fund</td>
<td>95,522,022</td>
<td></td>
</tr>
<tr>
<td>Transfers from Guaranty Fund</td>
<td>19,604,064</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,747,303,764</td>
<td>824,899,538</td>
</tr>
<tr>
<td><strong>Capital Reserve Fund:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from bond proceeds</td>
<td>13,088,275</td>
<td>122,477,493</td>
</tr>
<tr>
<td>Transfers to Debt Service Fund</td>
<td>(95,522,022)</td>
<td></td>
</tr>
<tr>
<td>Income from investments</td>
<td>105,444,323</td>
<td>95,384,288</td>
</tr>
<tr>
<td>Total</td>
<td>27,010,576</td>
<td>217,861,781</td>
</tr>
<tr>
<td><strong>Guaranty Fund:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from bond proceeds</td>
<td></td>
<td>17,488,204</td>
</tr>
<tr>
<td>Income from investments</td>
<td>8,689,785</td>
<td>8,150,038</td>
</tr>
<tr>
<td>Transfers to Debt Service Fund</td>
<td>(19,604,064)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>(10,914,279)</td>
<td>25,638,242</td>
</tr>
<tr>
<td><strong>Decrease in requirement for Guaranty Fund</strong></td>
<td>12,644,408</td>
<td></td>
</tr>
<tr>
<td>Total receipts</td>
<td>1,776,044,469</td>
<td>1,068,399,561</td>
</tr>
</tbody>
</table>

**Expenditures:**

<table>
<thead>
<tr>
<th>Expense</th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on First General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resolution Bonds</td>
<td>151,919,637</td>
<td>185,185,265</td>
</tr>
<tr>
<td>Interest on Second General</td>
<td>505,348,517</td>
<td>438,227,287</td>
</tr>
<tr>
<td>Resolution Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Commercial Paper Notes</td>
<td>7,690,770</td>
<td></td>
</tr>
<tr>
<td>Principal repayment on First General</td>
<td>66,900,000</td>
<td>26,595,000</td>
</tr>
<tr>
<td>Resolution Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal repayment on Second General</td>
<td>149,455,000</td>
<td>97,245,000</td>
</tr>
<tr>
<td>Resolution Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Discount on purchases</td>
<td>(8,530,252)</td>
<td>(14,684,967)</td>
</tr>
<tr>
<td>Net cost</td>
<td>139,924,748</td>
<td>82,560,033</td>
</tr>
<tr>
<td>Total debt service</td>
<td>871,783,672</td>
<td>732,567,585</td>
</tr>
<tr>
<td>Deposit for defeasance</td>
<td>444,059,523</td>
<td></td>
</tr>
<tr>
<td>Increase in requirement for Guaranty Fund</td>
<td></td>
<td>29,631,332</td>
</tr>
<tr>
<td>Transfers to Operating Fund</td>
<td>10,751,095</td>
<td></td>
</tr>
<tr>
<td>Total expenditures</td>
<td>1,326,594,290</td>
<td>762,198,917</td>
</tr>
<tr>
<td>Excess of receipts over</td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenditures for the period</td>
<td>$449,450,179</td>
<td>$306,200,644</td>
</tr>
</tbody>
</table>

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

For the fiscal year ended June 30,

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount of bonds issued</td>
<td>$238,824,000</td>
<td>$724,715,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>(3,295,102)</td>
<td>(9,711,553)</td>
</tr>
<tr>
<td>Transfers to Capital Reserve Fund</td>
<td>(13,088,275)</td>
<td>(122,477,493)</td>
</tr>
<tr>
<td>Transfers to Guaranty Fund</td>
<td>-</td>
<td>(17,488,204)</td>
</tr>
<tr>
<td><strong>Net proceeds available-bonds</strong></td>
<td>$222,440,623</td>
<td>$575,037,750</td>
</tr>
<tr>
<td>Principal amount of notes issued</td>
<td>$2,473,800,000</td>
<td>-</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal repayment of notes</td>
<td>(2,226,800,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net proceeds available-notes</strong></td>
<td>$247,000,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total proceeds available</strong></td>
<td>$469,440,623</td>
<td>$575,037,750</td>
</tr>
</tbody>
</table>

| **Distributions:** |               |               |
| Purchase of City of New York obligations for Debt Service Fund | $533,320,000  | $227,000,000 |
| **Net change for the period** | $ (63,879,377) | $ 348,037,750 |

**Funds available to purchase City of New York obligations:**

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of period</td>
<td>$812,742,000</td>
<td>$464,704,250</td>
</tr>
<tr>
<td>At end of period</td>
<td>$748,862,623</td>
<td>$812,742,000</td>
</tr>
</tbody>
</table>

**SUMMARY OF CHANGES IN FUNDING REQUIREMENT**

For the fiscal year ended June 30,

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding requirement at beginning of period</td>
<td>$4,512,476,035</td>
<td>$4,559,195,801</td>
</tr>
<tr>
<td>Changes during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase in debt outstanding</td>
<td>283,180,000</td>
<td>600,875,000</td>
</tr>
<tr>
<td>Debt Service, Capital Reserve</td>
<td>(449,450,179)</td>
<td>(306,200,644)</td>
</tr>
<tr>
<td>and Guaranty Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds available to purchase City of New York obligations Operating Fund</td>
<td>$63,879,377</td>
<td>(348,037,750)</td>
</tr>
<tr>
<td></td>
<td>(3,562,557)</td>
<td>6,643,628</td>
</tr>
<tr>
<td>Funding requirement at end of period</td>
<td>$4,406,522,676</td>
<td>$4,512,476,035</td>
</tr>
</tbody>
</table>

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

OPERATING FUND 
STATEMENT OF TRANSACTIONS 

For the fiscal year ended June 30, 

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>$3,000,000</td>
<td>$-</td>
</tr>
<tr>
<td>Income from investments</td>
<td>210,090</td>
<td>779,736</td>
</tr>
<tr>
<td>Transfers from Debt Service Fund</td>
<td>10,751,095</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,961,185</td>
<td>779,736</td>
</tr>
</tbody>
</table>

**Expenditures:** 

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1982</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt issuance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>673,636</td>
<td>830,404</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>3,613,442</td>
<td>731,755</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,287,078</td>
<td>1,562,159</td>
</tr>
<tr>
<td>Debt administration</td>
<td>1,075,671</td>
<td>1,054,433</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Special Deputy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comptroller</td>
<td>2,215,520</td>
<td>1,711,414</td>
</tr>
<tr>
<td>Financial Control Board</td>
<td>1,238,327</td>
<td>1,622,331</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,453,847</td>
<td>3,393,745</td>
</tr>
<tr>
<td>Investment</td>
<td>141,454</td>
<td>124,867</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>568,851</td>
<td>384,651</td>
</tr>
<tr>
<td>General administrative</td>
<td>871,727</td>
<td>903,569</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>10,398,628</td>
<td>7,423,264</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of receipts over expenditures for the period</strong></td>
<td>$3,562,557</td>
<td>$(6,643,628)</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
NOTE 1 - ORGANIZATION AND FUNCTIONS
OF THE CORPORATION:

Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation. The Corporation was created by State legislation adopted in June 1975 (as amended to date, the "Act") for purposes of providing financing assistance and fiscal oversight for The City of New York (the "City"). To carry out such purposes, the Corporation, among other things, issues and sells bonds and notes to pay or loan funds received from such sales to The City and exchanges the Corporation's obligations for those of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Investments in marketable securities held in the Capital Reserve and Guaranty Funds are carried at amortized cost and investments in marketable securities in the Debt Service Fund are carried at the lower of cost or market value, inclusive of accrued interest, in accordance with the bond resolutions pursuant to which they were established. These investments consist of direct obligations of, or obligations guaranteed by, the State or the United States of America, or certain other permitted investments.
NOTE 3 - BONDS OF THE CORPORATION:

Authorization, Funding, Payment
and Refunded Bonds:

Debt Authorization -

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

Funding Methods -

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

All outstanding bonds are general obligations of the Corporation. The Corporation has no taxing power. The bonds are entitled to liens, created by pledges under the respective resolutions, on moneys paid into the debt service and capital reserve funds.

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the State's Municipal Assistance Tax Fund, which is funded from revenues collected, less the State's charges for collection and administration, from the sales tax and, if necessary, the stock transfer tax. In 1977, the State enacted a program of gradually increasing rebates for all stock transfer tax payers. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the stock transfer tax at the present rate but will be entitled to a 100% rebate should the Corporation not require the funds. For the period ended June 30, 1983, the Corporation has not found it necessary to use the revenues derived from the stock transfer tax to pay its debt service.

The Corporation was advised that net revenues from such sales and stock transfer taxes which were collected by the State during the year ended June 30, 1983 amounted to $2,436.8 million (1982 - $1,932.1
million). Payments made to the Corporation from the Municipal Assistance Tax Fund are to be made quarterly and at such other times as the Corporation requests.

Debt service for obligations issued under the Second General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the Municipal Assistance State Aid Fund, which is funded from per capita aid otherwise payable by the State to the City, and, after satisfying the debt service requirements for obligations issued under the First General Bond Resolution as described above, funds paid quarterly from the Municipal Assistance Tax Fund. Per capita aid is subject to prior claims asserted by certain other State or City entities; however, the Corporation has been advised that no such claims have been asserted since the inception of the Corporation. Also, the Corporation was advised that total per capita aid paid into the Municipal Assistance State Aid Fund during the year ended June 30, 1983 amounted to $484 million (1982 - $484 million).

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

Payment Dates -

Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semiannually on February 1 and August 1 for bonds outstanding under the First General Bond Resolution. Principal payments at maturity or mandatory sinking fund calls are made July 1 and interest is paid semiannually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution. The Corporation may from time to time purchase at a price equal to or less than par certain of its securities to satisfy its sinking fund requirements.

Refunded Bonds -

The Corporation's bonds may be refunded in advance of their maturity in accordance with provisions of the First and Second General Bond Resolutions by placing in trust with the Trustee sufficient moneys or certain securities which together with investment income will be sufficient to pay principal and interest when due on the bonds which have been refunded. Although they remain valid debt instruments with regard to principal and interest payable thereon from the moneys or securities placed in trust, advance refunded bonds are deemed to have been paid within the meaning of the First and Second General Bond Resolutions and are therefore no longer presented as liabilities of the Corporation. During fiscal year 1983, the Corporation advance refunded $256.3 million of Series CC Bonds and $184.2 million of Series JJ Bonds. At June 30, 1983, $851.8 million of the Corporation's bonds which have been advance refunded remain valid debt instruments.
NOTE 4 - CAPITAL RESERVE FUND:

The Act provides for the establishment of a Capital Reserve Fund to provide security for payment of interest on and principal of the Corporation's bonds. The amount required to be on deposit in the Capital Reserve Fund is 100% of the principal (including sinking fund installments) and interest maturing or otherwise due or becoming due on outstanding bonds during the succeeding calendar year.

The Capital Reserve Fund balance at June 30, 1983 of $1,065.1 million comprised $296.6 million relating to First General Resolution Bonds and $768.5 million relating to Second General Resolution Bonds.

NOTE 5 - GUARANTY FUND:

In connection with the issuance by the City of Federally guaranteed obligations, a Guaranty Fund has been established by the Corporation. The Corporation is required, at the time of each issuance of guaranteed City obligations, to have on deposit in the Guaranty Fund a specified amount. The moneys on deposit in the Guaranty Fund, up to a specified amount, are available for the benefit of the United States of America in the event the City is unable to meet debt service requirements on certain City obligations for which the payment of principal and interest is guaranteed by the United States of America. Such specified amount is presented as a liability of the Corporation. To the extent moneys on deposit in the Guaranty Fund exceed the amount required, the Corporation is entitled to withdraw such excess from the Guaranty Fund and the United States of America has no further claim on such moneys. At June 30, 1983, no claim has been asserted. Moneys on deposit in the Guaranty Fund are invested in direct obligations of the United States of America.

NOTE 6 - OPERATING FUND:

The Operating Fund provides for the expenses of carrying out the Corporation's duties and functions and is funded from the Municipal Assistance Tax Fund. The Operating Fund accounts have been prepared on the accrual basis of accounting. The Corporation's administrative expenses of debt issuance and service are charged to the Operating Fund as incurred. The assets of the Operating Fund at June 30, 1983, include $17,500 of securities purchased under an agreement to resell, approximately $4,884,000 of investments in marketable securities, $519,000 of prepaid expenses relating to commercial paper and approximately $548,000 for computer and related software which is being depreciated on a straight line basis over a five year period which began January 1, 1982. The Corporation entered into a loan agreement in fiscal 1982 with the United States Trust Company of New York to finance the cost of the computer and related software. The balance of this loan at June 30, 1983 is $300,000 and this loan bears interest at 9 1/4% and is due in three equal annual installments of principal with interest due semiannually. This loan is included in total operating fund liabilities.
NOTE 7 - NEW YORK CITY OBLIGATIONS
HELD BY THE CORPORATION:

Since October 1980, the Corporation has been acquiring bonds of the City, as part of a program to provide for a significant portion of the City's capital financing requirements through fiscal 1985, by using the net proceeds of the Corporation's debt issuances to purchase City bonds with similar maturities. Prior to October 1980, the Corporation had acquired bonds of the City in connection with certain other transactions.

At June 30, 1983, the Corporation held $1,115.4 million principal amount of City bonds. The City obligations held at June 30, 1983 bear interest at rates ranging from 7 3/4% to 13 3/8% and will mature on September 15 in each year as shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Maturing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In thousands)</td>
</tr>
<tr>
<td>1983</td>
<td>70,093</td>
</tr>
<tr>
<td>1984</td>
<td>79,816</td>
</tr>
<tr>
<td>1985</td>
<td>83,562</td>
</tr>
<tr>
<td>1986</td>
<td>78,617</td>
</tr>
<tr>
<td>1987</td>
<td>67,124</td>
</tr>
<tr>
<td>1988-1992</td>
<td>255,785</td>
</tr>
<tr>
<td>1993-1997</td>
<td>270,174</td>
</tr>
<tr>
<td>1998-2002</td>
<td>146,626</td>
</tr>
<tr>
<td>2003-2007</td>
<td>63,610</td>
</tr>
<tr>
<td></td>
<td>$1,115,407</td>
</tr>
</tbody>
</table>

The Corporation, in connection with the issuance of commercial paper notes has entered into credit agreements under which it has pledged certain City obligations as collateral. The City has agreed that all bonds pledged as collateral may be sold without the consent of the City. All bonds not pledged as collateral may not be sold without the consent of the City. At June 30, 1983, approximately $311 million of bonds were pledged.

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

NOTE 8 - COMMITMENTS:

The Corporation and the City have developed a Debt Issuance Plan (the "Plan") to provide for a significant portion of the City's long-term financing requirements through fiscal 1987. Under the Plan, proceeds of debt issuances of the Corporation will be used principally to purchase obligations of the City when issued to provide a source of
funding for a portion of the City's capital program. At June 30, 1983, approximately $749 million was available to purchase City obligations. The Plan provides for additional public sales of $650 million of the Corporation's obligations through December 31, 1984.

The amount of the Corporation's obligations to be sold publicly under the Plan will depend upon many conditions, including the City's actual capital requirements, the City's ability to continue raising funds in the public bond markets and the general conditions in the public bond markets.

In November 1982, the Corporation sold $100 million of Second General Resolution Series 41 Bonds with detachable Warrants which entitle the holders of those Warrants to purchase up to an aggregate of $100 million principal amount of Series 42 Bonds periodically until January 18, 1984. As of June 30, 1983, Warrants were exercised for the issuance of $430,000 of Series 42 Bonds. The financial statements and Exhibits I and II do not give effect to the remaining unissued principal amounts of $99.57 million Series 42 Bonds; however, such are included in Exhibit III in summarizing the pro forma future payment requirements as explained therein.

On July 26, 1982 and January 6, 1983, the Corporation issued short-term obligations secured by a credit arrangement with Citibank, N.A. and both Citibank, N.A. and Manufacturer's Hanover Trust Co., respectively. Such short-term obligations have a claim on the sales tax, stock transfer tax or per capita aid revenues subordinate to First and Second Resolution Bonds. If the credit arrangement is used to pay the short-term obligations, the Corporation's obligation to the banks will be repayable over a period of at least five years through the issuance of bonds or otherwise. The Corporation has authorized the issuance of up to $250 million of such short-term obligations, which serves as an alternative to selling bonds publicly in such amount. At June 30, 1983, the Corporation had $247 million of such short-term obligations outstanding at interest rates ranging from 4.125% to 5.25% and maturities ranging from 1 day to 42 days. The Corporation and Citibank, N.A. are currently negotiating a letter of credit agreement to supplant the Series 1 credit agreement after commencement of the sales of the Corporation's Series 3 commercial paper notes.

The Corporation has agreed to reimburse the New York State Office of the Special Deputy Comptroller for the City of New York and the Financial Control Board for the cost of providing certain oversight services of the City's financial affairs.
### Note 3 - Investments in Marketable Securities:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 1983</th>
<th>June 30, 1982</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Market</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities Purchased Under Agreements to Resell</td>
<td>$1,043</td>
<td>$1,043</td>
</tr>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>222,711</td>
<td>217,012</td>
</tr>
<tr>
<td>U.S. Agency</td>
<td>122,950</td>
<td>121,513</td>
</tr>
<tr>
<td>Obligations of the Corporation</td>
<td>18,250</td>
<td>17,161</td>
</tr>
<tr>
<td>Total</td>
<td>$364,954</td>
<td>$356,729</td>
</tr>
<tr>
<td>Funds Available to Purchase City of New York</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities Purchased Under Agreements to Resell</td>
<td>$84</td>
<td>$84</td>
</tr>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>675,433</td>
<td>666,399</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>84,500</td>
<td>84,322</td>
</tr>
<tr>
<td>One to Five Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$760,017</td>
<td>$750,805</td>
</tr>
<tr>
<td>Capital Reserve Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities Purchased Under Agreements to Resell</td>
<td>$555</td>
<td>$555</td>
</tr>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>266,807</td>
<td>267,039</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>29,790</td>
<td>29,809</td>
</tr>
<tr>
<td>One to Five Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>388,956</td>
<td>385,907</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>271,152</td>
<td>261,760</td>
</tr>
<tr>
<td>Five Years or Greater</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>56,000</td>
<td>55,060</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>37,096</td>
<td>31,050</td>
</tr>
<tr>
<td>Total</td>
<td>$1,050,356</td>
<td>$1,031,180</td>
</tr>
<tr>
<td>Guaranty Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations Maturing in Less than One Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>$62,092</td>
<td>$61,148</td>
</tr>
<tr>
<td>Obligations Maturing in One to Five Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>14,930</td>
<td>15,080</td>
</tr>
<tr>
<td>Total</td>
<td>$77,022</td>
<td>$76,228</td>
</tr>
</tbody>
</table>
### MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

#### BONDS OUTSTANDING

(In Thousands)

<table>
<thead>
<tr>
<th>Series</th>
<th>First General Resolution Bonds</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Redemption Date</td>
<td>Interest Rate</td>
</tr>
<tr>
<td>J</td>
<td>1984-1985</td>
<td>11%</td>
</tr>
<tr>
<td>BB</td>
<td>1984-1986</td>
<td>6%</td>
</tr>
<tr>
<td>CC</td>
<td>1984-1993</td>
<td>10.25%</td>
</tr>
<tr>
<td>EE</td>
<td>1991-1995</td>
<td>7.5%</td>
</tr>
<tr>
<td>FF</td>
<td>1986</td>
<td>7.5%</td>
</tr>
<tr>
<td>GG</td>
<td>1987</td>
<td>7%</td>
</tr>
<tr>
<td>HH</td>
<td>1988-1995</td>
<td>7.5%</td>
</tr>
<tr>
<td>II</td>
<td>1987</td>
<td>7.5%</td>
</tr>
<tr>
<td>JJ</td>
<td>1984-1995</td>
<td>7.75%-8.25%</td>
</tr>
</tbody>
</table>

| Total First Resolution | $1,848,428 |

#### Second General Resolution Bonds

<table>
<thead>
<tr>
<th>Series</th>
<th>July 1:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1984-1986</td>
</tr>
<tr>
<td>2</td>
<td>1984-1986</td>
</tr>
<tr>
<td>3</td>
<td>1984-1986</td>
</tr>
<tr>
<td>4</td>
<td>1984-1986</td>
</tr>
<tr>
<td>5</td>
<td>1984-1991</td>
</tr>
<tr>
<td>6</td>
<td>1984-1991</td>
</tr>
<tr>
<td>7</td>
<td>1984-1992</td>
</tr>
<tr>
<td>8</td>
<td>1984-1992</td>
</tr>
<tr>
<td>9</td>
<td>1984-1992</td>
</tr>
<tr>
<td>10</td>
<td>1999-2008</td>
</tr>
<tr>
<td>11</td>
<td>1985-1996</td>
</tr>
<tr>
<td>12</td>
<td>1985-1998</td>
</tr>
<tr>
<td>13</td>
<td>1985-1998</td>
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<td>14</td>
<td>1989-1999</td>
</tr>
<tr>
<td>15</td>
<td>1999-2008</td>
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<td>16</td>
<td>1993-1999</td>
</tr>
<tr>
<td>17</td>
<td>1984-1999</td>
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<td>18</td>
<td>1984-1999</td>
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<tr>
<td>19</td>
<td>2000-2008</td>
</tr>
<tr>
<td>20</td>
<td>2000-2008</td>
</tr>
<tr>
<td>21</td>
<td>1984-1999</td>
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<td>22</td>
<td>1984-1999</td>
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<tr>
<td>23</td>
<td>2000-2008</td>
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<tr>
<td>24</td>
<td>1984-2008</td>
</tr>
<tr>
<td>26</td>
<td>1984-2000</td>
</tr>
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<td>27</td>
<td>1996-2008</td>
</tr>
<tr>
<td>28</td>
<td>1984-2007</td>
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<td>30</td>
<td>1984-2000</td>
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<tr>
<td>31</td>
<td>1984-2008</td>
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<tr>
<td>32</td>
<td>1984-2001</td>
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<tr>
<td>33</td>
<td>1984-2001</td>
</tr>
<tr>
<td>34</td>
<td>1985-1989</td>
</tr>
<tr>
<td>35</td>
<td>1990-2008</td>
</tr>
<tr>
<td>36</td>
<td>1985-2007</td>
</tr>
<tr>
<td>37</td>
<td>1984-2008</td>
</tr>
<tr>
<td>38</td>
<td>1984-2008</td>
</tr>
<tr>
<td>39</td>
<td>1995-2003</td>
</tr>
<tr>
<td>40</td>
<td>2004-2008</td>
</tr>
<tr>
<td>41</td>
<td>1985-2007</td>
</tr>
<tr>
<td>42</td>
<td>1995-2008</td>
</tr>
<tr>
<td>43</td>
<td>1984-1998</td>
</tr>
</tbody>
</table>

| Total Second Resolution | $5,559,090 |

| Total Bonds Outstanding | $7,407,518 |

<table>
<thead>
<tr>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1983</td>
</tr>
<tr>
<td>June 30, 1982</td>
</tr>
</tbody>
</table>
### Exhibit II

**MUNICIPAL ASSISTANCE CORPORATION**

**SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS**

(In Thousands)

**June 30, 1983**

<table>
<thead>
<tr>
<th>Principal and Interest Requirements</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
<th>Capital Reserve Fund Additions/ (Releases)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>$ 153,822</td>
<td>$ 734,777</td>
<td>$ 888,599</td>
<td>$ (131,759)</td>
<td>$ 756,840</td>
</tr>
<tr>
<td>1985</td>
<td>180,225</td>
<td>773,841</td>
<td>954,066</td>
<td>47,317</td>
<td>1,001,383</td>
</tr>
<tr>
<td>1986</td>
<td>209,667</td>
<td>769,754</td>
<td>979,421</td>
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<tr>
<td>1987</td>
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</tr>
<tr>
<td>1988</td>
<td>258,605</td>
<td>723,920</td>
<td>982,525</td>
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<tr>
<td>1989</td>
<td>290,793</td>
<td>705,209</td>
<td>996,002</td>
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<tr>
<td>1990</td>
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<td>677,275</td>
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<td>1992</td>
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<td>668,914</td>
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<tr>
<td>1993</td>
<td>295,543</td>
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<td>776,293</td>
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<td>858,141</td>
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<td>1994</td>
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<td>485,949</td>
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<td>6,873</td>
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<td>336,738</td>
<td>(261)</td>
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</tr>
<tr>
<td>1998</td>
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<td>327,697</td>
<td>(7,434)</td>
<td></td>
<td>320,263</td>
</tr>
<tr>
<td>1999</td>
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<td>335,777</td>
<td>(45,254)</td>
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<td>290,523</td>
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<tr>
<td>2000</td>
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<td>290,961</td>
<td>(26,462)</td>
<td></td>
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</tr>
<tr>
<td>2001</td>
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<td>264,749</td>
<td>(18,944)</td>
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<td>245,805</td>
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<tr>
<td>2002</td>
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<td>246,116</td>
<td>(7,434)</td>
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<td>238,682</td>
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<tr>
<td>2003</td>
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<td>238,516</td>
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<td>(7,388)</td>
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<td>206,250</td>
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<tr>
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<td>206,106</td>
<td>(5,757)</td>
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<td>200,531</td>
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<tr>
<td>2006</td>
<td>200,318</td>
<td>200,318</td>
<td>(5,558)</td>
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<tr>
<td>2007</td>
<td>194,572</td>
<td>194,572</td>
<td>(10,323)</td>
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<td>184,249</td>
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<tr>
<td>2008</td>
<td>184,139</td>
<td>184,139</td>
<td>(188,269)</td>
<td>(4,130)</td>
<td>(13,289,852)</td>
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<tr>
<td>Total</td>
<td>$ 2,956,258</td>
<td>$ 11,398,733</td>
<td>$ 14,354,991</td>
<td>$ (1,065,139)</td>
<td>$ 13,289,852</td>
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</table>
### Municipal Assistance Corporation

**Summary of Annual Debt Service Payment Requirements**

(Exhibit III)

June 30, 1983

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
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<td>1984</td>
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<td>$679,794</td>
<td>833,644</td>
<td>$4,829</td>
<td>$838,473</td>
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<td>729,207</td>
<td>883,002</td>
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<td>892,660</td>
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<td>1986</td>
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<td>767,590</td>
<td>974,246</td>
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<td>988,529</td>
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<td>762,956</td>
<td>975,635</td>
<td>14,106</td>
<td>989,741</td>
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<td>1988</td>
<td>224,855</td>
<td>739,176</td>
<td>964,031</td>
<td>13,900</td>
<td>977,931</td>
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<td>1989</td>
<td>292,355</td>
<td>716,951</td>
<td>1,009,306</td>
<td>13,658</td>
<td>1,022,964</td>
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<td>1990</td>
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<td>698,088</td>
<td>987,318</td>
<td>13,392</td>
<td>1,000,710</td>
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<tr>
<td>1991</td>
<td>300,355</td>
<td>670,258</td>
<td>970,613</td>
<td>10,622</td>
<td>981,235</td>
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<tr>
<td>1993</td>
<td>255,355</td>
<td>660,845</td>
<td>916,200</td>
<td>10,082</td>
<td>926,282</td>
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<tr>
<td>1994</td>
<td>335,730</td>
<td>475,799</td>
<td>811,529</td>
<td>9,791</td>
<td>821,320</td>
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<tr>
<td>1995</td>
<td>343,718</td>
<td>480,369</td>
<td>824,087</td>
<td>9,486</td>
<td>833,573</td>
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<td>1996</td>
<td>484,297</td>
<td>484,297</td>
<td>8,005</td>
<td>492,302</td>
<td>5.75</td>
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<td>1997</td>
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<td>427,138</td>
<td>7,761</td>
<td>434,899</td>
<td>6.51</td>
</tr>
<tr>
<td>1998</td>
<td>332,850</td>
<td>332,850</td>
<td>7,516</td>
<td>340,366</td>
<td>8.32</td>
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<td>323,622</td>
<td>323,622</td>
<td>7,260</td>
<td>330,882</td>
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<td>331,189</td>
<td>7,012</td>
<td>338,201</td>
<td>8.38</td>
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<tr>
<td>2001</td>
<td>286,811</td>
<td>286,811</td>
<td>6,353</td>
<td>293,164</td>
<td>9.66</td>
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<tr>
<td>2002</td>
<td>260,848</td>
<td>260,848</td>
<td>6,108</td>
<td>266,956</td>
<td>10.61</td>
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<td>2003</td>
<td>242,526</td>
<td>242,526</td>
<td>7,685</td>
<td>250,211</td>
<td>11.32</td>
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<tr>
<td>2004</td>
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<td>234,760</td>
<td>7,434</td>
<td>242,194</td>
<td>11.70</td>
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<tr>
<td>2005</td>
<td>210,162</td>
<td>210,162</td>
<td>7,188</td>
<td>217,350</td>
<td>13.03</td>
</tr>
<tr>
<td>2006</td>
<td>202,487</td>
<td>202,487</td>
<td>5,483</td>
<td>207,970</td>
<td>13.62</td>
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<tr>
<td>2007</td>
<td>196,486</td>
<td>196,486</td>
<td>5,352</td>
<td>201,838</td>
<td>14.03</td>
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<td>2008</td>
<td>190,551</td>
<td>190,551</td>
<td>5,206</td>
<td>195,757</td>
<td>14.47</td>
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<tr>
<td>2009</td>
<td>180,009</td>
<td>180,009</td>
<td>-0-</td>
<td>180,009</td>
<td>15.74</td>
</tr>
</tbody>
</table>

Total $3,033,183 $11,947,309 $14,980,492 $222,532 $15,203,024
Footnotes to Exhibit III

* Assumes the issuance of the remaining unissued authorized principal amount of $99.57 million of Series 42 Bonds on July 25, 1983.

** All revenues include $2,436.8 million combined New York State Sales and Stock Transfer Tax and $406.0 million in Per Capita Aid. First Resolution Obligations include Debt Service on First Resolution Bonds and Operating Expenses of $10.3 million. Estimated coverage ratios on Second Resolution Bonds assume the exercise of all outstanding warrants.

+ Includes $417.4 million which was paid on July 1, 1983 as debt service payment on Second General Resolution Bonds.
<table>
<thead>
<tr>
<th>Subtotal</th>
<th>General Office Expenses</th>
<th>Other Personnel Services</th>
<th>Personnel Services</th>
<th>General Administrative:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 2,477,237</td>
<td>$ 643,861</td>
<td>$ 1,755,022</td>
<td>$ 277,000</td>
<td>$ 147,000</td>
</tr>
<tr>
<td>$ 7,247,250</td>
<td>$ 1,041,600</td>
<td>$ 2,225,000</td>
<td>$ 690,000</td>
<td>$ 150,000</td>
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</table>

<table>
<thead>
<tr>
<th>Subtotal</th>
<th>Printing</th>
<th>Data Processing</th>
<th>Accounting</th>
<th>Financial Reporting:</th>
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<tbody>
<tr>
<td>$ 646,050</td>
<td>$ 222,772</td>
<td>$ 222,772</td>
<td>$ 669,600</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>$ 594,500</td>
<td>$ 119,795</td>
<td>$ 119,795</td>
<td>$ 150,000</td>
<td>$ 150,000</td>
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</table>

<table>
<thead>
<tr>
<th>Subtotal</th>
<th>Investment</th>
<th>Financial Control Board</th>
<th>Deputy Commissioner</th>
<th>Office of Special</th>
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<tr>
<td>$ 107,402</td>
<td>$ 145,000</td>
<td>$ 332,000</td>
<td>$ 332,000</td>
<td>$ 332,000</td>
</tr>
<tr>
<td>$ 107,402</td>
<td>$ 145,000</td>
<td>$ 332,000</td>
<td>$ 332,000</td>
<td>$ 332,000</td>
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</table>

<table>
<thead>
<tr>
<th>Subtotal</th>
<th>Dept. Administration:</th>
<th>Commercial Paper</th>
<th>Debt Issuance:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,728,177</td>
<td>$ 4,226,250</td>
<td>$ 745,000</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>$ 1,728,177</td>
<td>$ 4,226,250</td>
<td>$ 745,000</td>
<td>$ 150,000</td>
</tr>
</tbody>
</table>

**Actual Expenses**

<table>
<thead>
<tr>
<th>Year to Date</th>
<th>6/30/83</th>
<th>3 Months Budget</th>
<th>1982-1983 Model</th>
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</thead>
<tbody>
<tr>
<td>(1) Budget</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
</tbody>
</table>

**Exhibit 3**
For the information of the Administration Committee

3 August 1983

MUNICIPAL ASSISTANCE CORPORATION

OPERATING FUND SUMMARY

(In $ Thousands)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DEBT ISSUANCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>$ 758</td>
<td>$ 674</td>
<td>$ 755</td>
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<tr>
<td>Commercial Paper</td>
<td>3,775</td>
<td>3,613</td>
<td>3,085</td>
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<tr>
<td>Sub Total</td>
<td>$ 4,533</td>
<td>$ 4,287</td>
<td>$ 3,840</td>
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<tr>
<td>DEBT ADMINISTRATION</td>
<td>985</td>
<td>1,076</td>
<td>965</td>
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<tr>
<td>OVERSIGHT</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>OSDC</td>
<td>2,356</td>
<td>2,216</td>
<td>2,400</td>
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<tr>
<td>FCB</td>
<td>1,532</td>
<td>1,238</td>
<td>1,300</td>
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<tr>
<td>Sub Total</td>
<td>3,888</td>
<td>3,454</td>
<td>3,700</td>
</tr>
<tr>
<td>INVESTMENT</td>
<td>133</td>
<td>141</td>
<td>115</td>
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<td>FINANCIAL REPORTING</td>
<td>570</td>
<td>569</td>
<td>635</td>
</tr>
<tr>
<td>GENERAL &amp; ADMINISTRATIVE</td>
<td>956</td>
<td>872</td>
<td>1,020</td>
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<tr>
<td>GRAND TOTAL</td>
<td>11,065</td>
<td>10,399</td>
<td>10,275</td>
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</table>
3 August 1983
Administration Committee
Stephen J. Weinstein
Legal Expenses

This Memorandum is to report the results of the Corporation’s legal expenses for Bond Counsel and General Counsel during the fiscal year ended June 30, 1983, to review the fee structure and to recommend appropriate adjustments.

Beginning in October 1980, the Corporation implemented new schedules of fees for its Bond Counsel — Hawkins Delafield & Wood, and for its General Counsel — Paul, Weiss, Rifkind, Wharton & Garrison, which subsequently have been adjusted and increased three times, effective on July 1, 1981, January 1, 1982 and, most recently, on January 1, 1983.

These changes have been predicated on a policy designed to raise the remuneration for outside counsel, while producing uniformity of billing for both firms, assuring neutrality in their staffing decisions and reducing the differential between their average hourly rates, with their fees to be reviewed annually. Until the adoption of this program in October 1980, the billing bases for these firms were disparate and had remained unchanged since they were first engaged by the Corporation in June 1975.

Presently, the fee schedule is identical for both firms and, since January 1983, has been as follows:

- First and Second Year Associates $85
- Third and Fourth Year Associates $105
- Fifth Year and Over Associates $115
- Partners Less Than Ten Years $140
- Partners Ten or More Years $175

As we discussed at the Administration Committee meeting in May, these fees appear to be appropriate and reasonable for both the Corporation and the law firms at present, and therefore no increases are recommended at this time. Rather, the fees for Hawkins and Paul Weiss should be reviewed again next Spring as a part of preparation of the operating budget for fiscal 1985, and any changes then approved should become effective on July 1, 1984.
3 August 1983
Administration Committee
Page 2

Despite the fee increases in effect for the second half of fiscal 1983, including the introduction of the "Senior Partner" category, the combined billings of both firms again declined to a record low, somewhat less than the preceding year (down by 27% for Paul Weiss and up by 13% for Hawkins). The billings for these legal services have remained remarkably modest -- $336,868 in 1983, indicating a continuing pattern of decreased dependence upon and expense of outside counsel.

Moreover, a more accurate indication of the continuing assumption by the Corporation's staff of a greater portion of its legal work during 1983 is the decline in the combined hours billed by 347, or about 12% (down by 32% for Paul Weiss and unchanged for Hawkins), approximating the decline of about 13% in the previous year. The 1983 hours totalled only 2,554 for both firms combined, down from 2,901 in 1982, with comparable levels of financing activities in both years.

For comparative purposes, if fees had been held constant in 1983, total combined billings would have shown a decline of more than $21,000 from the year before. In addition, a significant portion of the Hawkins billings for 1983 -- some 332 hours and $45,000 -- was attributable to special tax matters, indicating that the legal work undertaken in connection with the Corporation's ongoing financing activities actually covered that many fewer hours and dollars than the year before.

One other item must be added to accurately assess our annual expenditures for legal services -- a reduction in the number of lawyers on the Corporation's staff from three to two, beginning in July 1982. This resulted in a savings in payroll and related expenses of approximately $73,000 in fiscal 1983 over 1982.

The only area in which the fee arrangements implemented three years ago have not produced the intended result is reduction of the average hourly rate differential between Hawkins and Paul Weiss. That differential was $10.86 in 1982, based on average rates of $114.13 for Hawkins and $103.27 for Paul Weiss. During 1983, the difference widened
3 August 1983  
Administration Committee  
Page 3

to $13.13, due to average rates of $128.81 for Hawkins (up about 13% from 1982) and $115.68 for Paul Weiss (up about 12% from 1982). Both averages continued to move in the intended direction, and the average rate for each firm rose by about the same percentage during the year, as a result of the increased fees put into effect in January 1983.

It is doubtful that an equitable approach can be devised which would on any predictable basis reduce the differential in average hourly rates between the two firms, inasmuch as the respective averages merely reflect actual staffing patterns, over which the Corporation has little real control. Staffing necessarily varies with the type and level of outside legal services required to meet the Corporation's changing needs, which flexibility is essential to our operations.

The history of the Corporation's legal expenses is presented in tabular form at the end of this memorandum.

With regard to Carter, Ledyard and Milburn, the firm which serves as counsel to the United States Trust Company of New York, Trustee for the Corporation's bondholders, a review of fees is in order at this time. The Corporation pays the expenses for these services to the Trustee, as required by the general bond resolutions.

There has been no change in our payment basis for Carter Ledyard in more than eight years since the Corporation's establishment. They have always billed us at their regular rates, and we have always paid them, in accordance with a procedure devised by the State Comptroller in 1975, at hourly rates not to exceed $100. The firm's present regular rates for associates extend from $85 to $115 and are very nearly the same as we now have in effect for Hawkins and Paul Weiss, while their regular partner rates range from $170 to $230. This anomaly results in not only a substantial involuntary "discount" but lesser levels of remuneration for all partners and for senior associates than we presently provide either of our own outside counsel.

With your approval, I will discuss with Carter Ledyard the recommendation that the fees we pay them be adjusted upward to the same rate basis as we currently use for Hawkins and Paul Weiss. I recommend that, if Carter Ledyard is in agreement, the new rates be put into effect at the time of their next billing.
### Proposed Schedule of Fees by Price Waterhouse for FY 1984

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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>$135</td>
<td>160</td>
<td>$145</td>
<td>136</td>
<td>$155</td>
<td>6.9%</td>
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<tr>
<td>Manager</td>
<td>$105</td>
<td>414</td>
<td>$105</td>
<td>369</td>
<td>$112</td>
<td>6.7%</td>
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<tr>
<td>Senior</td>
<td>$50-63</td>
<td>695</td>
<td>$55-67</td>
<td>1,047</td>
<td>$57-69</td>
<td>3.6% - 3.0%</td>
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<tr>
<td>Staff</td>
<td>$30-42</td>
<td>$35-46</td>
<td></td>
<td></td>
<td>$37-48</td>
<td>5.7% - 4.3%</td>
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### Auditing Fees Paid

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<th>Year</th>
<th>Fees Paid</th>
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<tr>
<td>1982</td>
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<tr>
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<td>$79,739</td>
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<tr>
<td>1980</td>
<td>$70,940</td>
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<tr>
<td>1979</td>
<td>$63,302</td>
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</table>
MEMORANDUM

TO:       Dennis Sullivan
FROM:     Steve Weinstein
RE:       United States Trust Company Fees
DATE:     5 August 1983

Presented below is a summary of the fee schedule for services provided to the Corporation by the United States Trust Company in effect for an 18-month period from January 1982 to July 1983, compared with the fee schedule proposed by them for the six months beginning July 1983. Also shown are actual charges incurred for our last fiscal year ended June 30, 1983. If accepted, their proposal would result in an annual increase of about $62,000, or 1%, based on last year's activities.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>PAST</th>
<th>PROPOSED</th>
<th>CHANGE</th>
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<tr>
<td>Initial Fees Per $1 Million of</td>
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<td>25,850</td>
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<tr>
<td>Additional Issuances</td>
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<tr>
<td><strong>Annual Fees</strong></td>
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<tr>
<td>(Calculated on largest principal</td>
<td></td>
<td></td>
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<tr>
<td>amount outstanding during</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>billable period, subject to</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>maximum below)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Per Million on First $1 Billion</td>
<td>40.00</td>
<td>40.00</td>
<td>0</td>
<td>--</td>
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<tr>
<td>Per Million on Next $1 Billion</td>
<td>30.00</td>
<td>30.00</td>
<td>0</td>
<td>--</td>
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<tr>
<td>Per Million on Excess over 2</td>
<td>20.00</td>
<td>20.00</td>
<td>0</td>
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<tr>
<td>Billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Million on Excess Over $5</td>
<td>10.00</td>
<td>10.00</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>Billion</td>
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<td></td>
</tr>
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<td>Maximum Annual Fee</td>
<td>150,000</td>
<td>165,000</td>
<td>10%</td>
<td>150,000</td>
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<td>1,000.00</td>
<td>$1,000.00</td>
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<td>1,000.00</td>
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<tr>
<td>Per Account Maintained</td>
<td>.75</td>
<td>1.00</td>
<td>33%</td>
<td>3,129</td>
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<td>Per Certificate Issued on Transfer</td>
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<tr>
<td>Per Address Change</td>
<td>.50</td>
<td>.50</td>
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<td>1,260</td>
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<td><strong>Paying Agent</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Per Coupon Paid</td>
<td>.10</td>
<td>.15</td>
<td>50%</td>
<td>23,953</td>
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<td>Per $5,000 Bonds Paid at</td>
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<td>Maturity on Purchased for Sinking</td>
<td>.35</td>
<td>.50</td>
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<td>Fund</td>
<td></td>
<td></td>
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<td>Per Registered Interest Check</td>
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<tr>
<td>Per 1,000 Coupons Audited and</td>
<td>40.00</td>
<td>50.00</td>
<td>25%</td>
<td>119,316</td>
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<tr>
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<td></td>
<td></td>
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<tr>
<td>Result of Coupon Audited By</td>
<td></td>
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<td></td>
<td></td>
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<td>Scribes</td>
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<td>Per 1,000 Bonds Audited and</td>
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<td>65.00</td>
<td>3%</td>
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<td>Percent of Total Audited Bonds</td>
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<td><strong>Investment</strong></td>
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<td>Per Purchase, Sale or Redemption</td>
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<td><strong>Mailing of Reports</strong></td>
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<tr>
<td>Per Holder, One Enclosure</td>
<td>.10</td>
<td>.15</td>
<td>50%</td>
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<td>Each Additional Enclosure</td>
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<td>.10</td>
<td>100%</td>
<td>0</td>
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<td>Minimum Charge for Mailing</td>
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<td>-100%</td>
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<td>Stencilling Envelope only</td>
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<tr>
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<td>-100%</td>
<td>0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
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* Plus Disbursements and Counsel Fees at Cost

TOTAL: $451,420*
Staff

Administration Committee

Expenditure Guidelines for Transportation, Meals, Travel and Other Occasions

I. PURPOSE

Ethical considerations require that those serving governmental bodies be above reproach in their official relationships with those individuals and entities doing business or seeking to do business with public bodies. The same ethical considerations should govern which and to what extent costs incurred in the course of official pursuits are reimbursable.

In order to provide guidance for staff members as to what costs are entitled to reimbursement from the Corporation's funds, and what expenditures by others which benefit employees of the Corporation are appropriate, the Corporation's Administration Committee has adopted the following guidelines setting forth standards for official conduct for employees of the Corporation.
II. STATUTORY PROVISIONS

These guidelines are intended to supplement Sections 73 and 74 of the State of New York Public Officers Law, particularly subsection 73(5), extended to apply to the staff as well as the Board of the Corporation by legislation enacted in July 1983. Such subsection provides as follows:

No officer or employee of a state agency, member of the legislature or legislative employee shall, directly or indirectly, solicit, accept or receive any gift having a value of twenty-five dollars or more whether in the form of money, service, loan, travel, entertainment, hospitality, thing or promise, or in any other form, under circumstances in which it could reasonably be inferred that the gift was intended to influence him, or could reasonably be expected to influence him, in the performance of his official duties or was intended as a reward for any official action on his part. No person shall, directly or indirectly, offer or make any such gift to any officer or employee of a state agency, member of the legislature or legislative employee under such circumstances.

III. APPLICATION

These guidelines are applicable to all employees in the course of conducting the business of the Corporation.

In application of these guidelines, the avoidance of the appearance of impropriety is as important as the avoidance of impropriety itself.

To the extent that a particular item is not specifically set forth below, it is not permitted unless an exception is granted in writing by the Executive Director or, in the case of an exception for the Executive Director by a Deputy Executive Director.

These guidelines apply to the members of the staff only; unless specifically authorized herein, expenses for spouses or other family members or guests are not entitled to reimbursement and these people should not accept invitations or favors from others.
IV. EXPENDITURES OF THE CORPORATION

A. Local Transportation

1. Public transportation (other than ordinary commuting expenses) to or from a business meeting.

2. The use of public transportation is encouraged. Nevertheless, the cost of other than public transportation is reimbursable as follows:

   a. Taxi fare (or use of the Corporation's account with a car service company) to or from one's residence occasioned by working between the hours of 8:00 P.M. and 8:00 A.M. (from whatever location) if there is a business reason for such extraordinary work hours.

   b. Taxi fare (or use of the Corporation's account with a car service company) where the business circumstances preclude a less expensive mode of transportation.

   c. Parking expenses (other than ordinary commuting expenses) incurred in the use of a personally owned automobile to travel to a business meeting.

B. Meals

1. Reasonable expenses for meals eaten during extraordinary working hours occasioned by business reasons.

2. Reasonable expenses for meals incurred in the course of conducting official duties.

C. Travel

1. Reasonable expenses for transportation to a location other than New York City for the purpose of conducting the Corporation's business.

2. Reasonable expenses for lodging in the conduct of the Corporation's business in a location other than New York City.

3. Reasonable expenses for meals eaten while traveling outside New York City on Corporation business.
V. EXPENDITURES OF OTHERS

A. Business Occasions

1. Meals for the purpose of discussing business with the inviting party.

2. Dinners, cocktail parties, Christmas parties, outings, and other similar occasions (with or without spouses or guests) under the following circumstances:
   a. Celebrating the closing of a financing or the completion of other significant business tasks; or
   b. Attending an event given by members of the financial community, news media, business, civic or charitable organizations to which a broad spectrum of customers, clients, or similarly interested parties have been invited.

B. Novelties

Receipt of novelties, with or without an advertisement, so long as the estimated value of the item is not in excess of $25.
27 July 1983

MAC Staff

MHG

New Legislation - Public Officers Law - Standards of Conduct

The Governor is expected to sign into law by the end of next week a bill which has the effect of making the staff of MAC subject to the provisions of Sections 73 and 74 of the New York Public Officers Law. Previously, only the MAC Board of Directors was so covered. Attached is a copy of these sections.

Of particular importance is subsection (5) of Section 73 of such law. The thrust of this subsection is to prohibit the acceptance of anything (whether a gift, a meal, a service, etc.) of a value exceeding $25 under circumstances where it may be "reasonably inferred" that the proferred item was intended as a reward for certain official action or to influence a business decision so as to benefit the giver. Violation is a criminal offense.

The Corporation's Administration Committee will promulgate guidelines for both the acceptance of gratuities and the reimbursement of expenses in the near future which will elaborate upon such restrictions as applicable to the MAC staff; until then, Section 73(5), as well as the other provisions of Sections 73 and 74, should be heeded by everyone.
OFCERS LAW

Where the plaintiff in an execution has given instructions to a deputy sheriff to depart from the line of duty imposed by law, but the deputy has done nothing in conformity with such instructions, the sheriff is not discharged from liability for his deputy’s acts. Sheldon v. Payne, 1852, 7 N.Y. 453, reafirmed 10 N.Y. 398.

Trespass committed by a deputy sheriff in enforcing legal process is, it seems, deemed official misconduct for which the sheriff is liable. The People ex rel. Kellogg v. Schuyler, 1850, 4 N.Y. 173.

In re Pond, 1897, 21 Misc. 114, 40 N.Y. X.S. 999, the court said: "In Sheldon v. Payne, 7 N.Y. 453, it was held that to discharge 'the sheriff from liability for the acts of his deputy it must be shown not only that the plaintiff directed the deputy to depart from the line of his duty imposed by law, but that the deputy followed, or at least understood, the instructions given. He cannot otherwise be regarded in any respect the agent of the plaintiff.'"

16. Void executions

In the case of Dunham v. Reilly, 1888, 110 N.Y. 366, 18 N.E. 89, the court said: "Deeming the execution to have been void and a nullity, it follows that the judgment can be maintained for its false return."

17. Defenses

The fact, if established, that the execution debtor was insolvent when execution was given the sheriff, does not justify an inference, relieving the sheriff from liability, that, had the sheriff acted promptly, instead of negligently, bankruptcy proceedings would have been precipitated and hastened so that the execution could not have been collected before bankruptcy proceedings; but this is a mere matter of conjecture. Morgan v. Seaman, 1918, 171 App.Div. 715, 157 N.Y.S. 830.

18. Damages—Generally

In an action against a sheriff for escape from custody under such an attachment, the plaintiff may recover all damages sustained by the defendant, with interest from its date. Dunham v. Weaver, 1881, 84 N.Y. 449.

In an action against a sheriff for neglecting to make a return of an execution, the court should face the true measure of damages; the sheriff, however, being at liberty to mitigate the amount by showing that the entire execution had not been satisfied out of the debtor’s property, but not by proof that the judgment is still collectible. It is unnecessary for the plaintiff to ever prove the execution while the attachments remained in force, plaintiff was only entitled to nominal damages. Wolfe v. Conner, 1860, 53 N.Y. 231.

In the case of Van Fraag v. Flack, 1901, 13 N.Y.S. 590, the court said: "The statute has given an action to a creditor against a sheriff for not returning an execution, and the settled doctrine of the courts is that, where it has not been returned, he (the sheriff) is prima facie liable for the debt, but he may mitigate the damages, by showing that the defendant had no property on which the judgment could be levied."

20. Burden of proof

Negligence of a sheriff in not proceeding under an execution establishes prima facie his liability for the amount he was commanded by the execution to collect, and he has the burden of showing that the execution creditor was not damaged thereby. Morgan v. Seaman, 1918, 171 App.Div. 715, 157 N.Y.S. 830.

21. Liability of marshal

No recovery could be had from county marshal, office of marshal, or from county precipitated upon marshal's enforcement of subsequently reversed eviction order, with respect to which no stay of execution had been requested. Pisano v. Nassau County, 1963, 41 Misc.2d 844, 246 N.Y.S.2d 733, affirmed 21 A.D.2d 754, 252 N.Y.S.2d 22.

§ 73. Business or professional activities by state officers and employees and party officers

1. As used in this section: The term "state agency" shall mean any state department, or division, board, commission, or bureau of any state department.

The term "compensation" shall mean any money, thing of value or financial benefit conferred in return for services rendered or to be rendered.

The term "legislative employee" shall mean any officer or employee of the legislature but shall not include members of the legislature.

The term "regulatory agency" shall mean the banking department, insurance department, state liquor authority, department of agriculture and markets, department of state, other than the division of corporations and state records, department of public service and the board of standards and appeals in the department of labor.

2. No officer or employee of a state agency, member of the legislature or legislative employee shall receive, or enter into any agreement express or implied for, compensation for services to be rendered in relation to any case, proceeding, application, or other matter before any state agency, whereby his compensation is to be dependent or contingent upon any action by such agency with respect to any license, contract, certificate, ruling, decision, opinion, rate schedule, franchise, or other benefit; provided, however, that nothing in this subdivision shall be deemed to pro-
§ 73  PUBLIC OFFICERS LAW

hibit the fixing at any time of fees based upon the reasonable value of the services rendered.

3. No full-time salaried officer or employee of a state agency, full-time salaried legislative employee, or member of the legislature shall receive, directly or indirectly, or enter into any agreement express or implied for, any compensation, in whatever form, for the appearance or rendition of services by himself or another against the interest of the state in relation to any case, proceeding, application or other matter before, or the transaction of business by himself or another with, the court of claims.

4. No officer or employee of a state agency, member of the legislature or legislative employee or firm or association of which such person is a member, or corporation, ten per centum or more of the stock of which is owned or controlled directly or indirectly by such person, shall sell any goods or services having a value in excess of twenty-five dollars to any state agency unless pursuant to an award or contract let after public notice and competitive bidding. This subdivision shall not apply to the publication of resolutions, advertisements or other legal propositions or notices in newspapers designated pursuant to law for such purpose and for which the rates are fixed pursuant to law.

5. No officer or employee of a state agency, member of the legislature or legislative employee shall, directly or indirectly, solicit, accept or receive any gift having a value of twenty-five dollars or more whether in the form of money, service, loan, travel, entertainment, hospitality, thing or promise, or in any other form, under circumstances in which it could reasonably be inferred that the gift was intended to influence him, or could reasonably be expected to influence him, in the performance of his official duties or was intended as a reward for any official action on his part. No person shall, directly or indirectly, offer or make any such gift to any officer or employee of a state agency, member of the legislature or legislative employee under such circumstances.

6. (a) Every member of the legislature or legislative employee shall, on and after December fifteenth and before the following January fifteenth, in each year, file with the secretary of the senate, if a member or employee of that body, or with the clerk of the assembly, if a member or employee of that body a written statement of

1. each financial interest, direct or indirect of himself, his spouse and their unemancipated children under the age of eighteen years in any activity which is subject to the jurisdiction of a regulatory agency, or name of the entity in which the interest is had and whether such interest is over or under five thousand dollars in value.

2. every office and directorship held by him in any corporation or firm or association which is subject to the jurisdiction of a regulatory agency or enterprise, including the name of such corporation, firm or enterprise.

3. any other interest or relationship which he determines in his discretion might reasonably be expected to be particularly affected by legislative action or in the public interest should be disclosed.

(b) On or before January thirty-first in each year the secretary of the senate and the clerk of the assembly shall prepare a report containing the statements required to be filed pursuant to paragraph (a) of this subdivision. Copies of such reports shall be open to public inspection in the office of the secretary of the senate and the clerk of the assembly. Each house may adopt rules to implement the provisions of this subdivision, insofar as they relate to members of the legislative and legislative employees.

(c) A member of the legislature or legislative employee who knowingly and wilfully makes a false statement or gives information which he knows to be false in any written statement required to be filed pursuant to this subdivision, shall be guilty of a misdemeanor.

7. No person who has any interest, direct or indirect, in any state agency shall, directly or indirectly, or enter into any agreement express or implied for, any compensation, in whatever form, for the appearance or rendition of services by himself or another against the interest of the state in relation to any case, proceeding, application or other matter before, or the transaction of business by himself or another with, the court of claims.

8. No party officer while in the service of a judge of any court of record or as an assistant district attorney, attorney general or any other person shall, directly or indirectly, offer or make any such gift to any officer or employee of a state agency, member of the legislature or legislative employee under such circumstances.

9. Nothing herein contains or implies any authority to a member of the legislature, or any member, from appearing, rendering service as a consultant, or otherwise providing anything for any state agency, firm or association in which he, or any person, firm or association of which he is a member, from appearing, rendering service, or transacting business with the state agency.

10. In addition to any other penalty, any person who knowingly aids or abets any subdivision of this section shall be guilty of a misdemeanor.

Added L.1954, c. 696, § 1; L.1968, c. 420, § 2
1974 Amendment. Subd. 6, p. 8, eff. Dec. 1, 1974; L.1974, c. 940, § 2, eff. June 1

Historical Notes through 1974
PUBLIC OFFICERS LAW

§ 73

No person who has served as an officer or employee of a state agency shall within a period of two years after the termination of such service or employment appear before such state agency or receive compensation for any services rendered on behalf of any person, firm, corporation or association in relation to any case, proceeding or application with respect to which such person was directly concerned and in which he personally participated during the period of his service or employment; nor shall any person who has served as the head of a state department which is a regulatory agency, or the department of transportation, or a deputy thereof, within a period of two years after the termination of such service receive compensation for any services rendered on behalf of any person, firm, corporation or association in any case, proceeding or application before the department with which he so served wherein his compensation is to be dependent or contingent upon any action by such agency with respect to any license, contract, certificate, ruling, decision, opinion, rate schedule, franchise, or other benefit, or in promoting or opposing, directly or indirectly, the passage of bills or resolutions before either house of the legislature; nor shall any person who has served as a member of the legislature within a period of two years after the termination of such service receive compensation for any services on behalf of any person, firm, corporation or association to promote or oppose, directly or indirectly, the passage of bills or resolutions by either house of the legislature; provided, however, that nothing herein contained shall prohibit any state agency from adopting rules concerning practice before it by former officers or employees more restrictive than the requirements of this subdivision.

8. No party officer while serving as such shall be eligible to serve as a judge of any court of record, attorney-general, district attorney or assistant district attorney. As used in this subdivision, the term “party officer” shall mean a member of a national committee, an officer or member of a state committee or a county chairman of any political party.

9. Nothing herein contained shall be construed to prohibit any firm or association, in which any officer or employee of a state agency is a member, from appearing, rendering services in relation to any matter before, or transacting business with a state agency, where such officer or employee of a state agency does not share in the profits resulting therefrom; nor shall anything herein contained be construed to prohibit any firm or association in which any full-time salaried officer or employee of a state agency, full-time salaried legislative employee, or member of the legislature is a member, from appearing, rendering services in relation to any matter before, or transacting business with, the court of claims, where such full-time salaried officer or employee of a state agency, full-time salaried legislative employee, or member of the legislature does not share in the profits resulting therefrom.

10. In addition to any penalty contained in any other provision of law, any person who knowingly and intentionally violates the provisions of subsections (a) through (e) of this subdivision, or subdivision seven of this section shall be guilty of a misdemeanor.

46 McKinney—1902 P.L.

97

Former section 73-a, which related to prohibited business or professional activity by public officers and employees, was added L.1965, c. 1031, § 152, eff. Sept. 1, 1967.


§ 74. Code of ethics

1. Definition. As used in this section: The term “state agency” shall mean any state department, or division, board, commission, or bureau of any state department.

The term “legislative employee” shall mean any officer or employee of the legislature but it shall not include members of the legislature.

2. Rule with respect to conflicts of interest. No officer or employee of a state agency, member of the legislature or legislative employee should have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity in view of any obligation of any nature, which is in substantial conflict with the proper discharge of his duties in the public interest.

3. Standards.

a. No officer or employee of a state agency, member of the legislature or legislative employee should accept other employment which will impair his independence of judgment in the exercise of his official duties.

b. No officer or employee of a state agency, member of the legislature or legislative employee should accept employment or engage in any business or professional activity which will require him to disclose confidential information which he has gained by reason of his official position or authority.

c. No officer or employee of a state agency, member of the legislature or legislative employee should disclose confidential information acquired by him in the course of his official duties nor use such information to further his personal interests.

d. No officer or employee of a state agency, member of the legislature or legislative employee should use or attempt to use his official position to secure unwarranted privileges or exemptions for himself or others.

e. No officer or employee of a state agency, member of the legislature or legislative employee should engage in any transaction as representative or agent of the state with any business entity in which he has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his official duties.

f. An officer or employee of a state agency, member of the legislature or legislative employee should not by his conduct give reasonable basis for the impression that any person can improperly influence him or unduly enjoy his favor in the performance of his official duties, or that he is affected by the kinship, rank, position or influence of any party or person.

g. An officer or employee of a state agency should abstain from making personal investments in enterprises which he has reason to believe may be directly involved in decisions to be made by him or which will otherwise create substantial conflict between his duty in the public interest and his private interest.

h. An officer or employee of a state agency, member of the legislature or legislative employee should endeavor to pursue a course of conduct which will not raise suspicion among the public that he is likely to be engaged in acts that are in violation of his trust.

i. No officer or employee of a state agency employed on a full-time basis nor any firm or association of which such an officer or employee is a member or corporation a substantial portion of the stock of which...
§ 74

PUBLIC OFFICERS LAW

is owned or controlled directly or indirectly by such officer or employee, should sell goods or services to any person, firm, corporation or association which is licensed or whose rates are fixed by the state agency in which such officer or employee serves or is employed.

1. If any officer or employee of a state agency shall have a financial interest, direct or indirect, having a value of ten thousand dollars or more in any activity which is subject to the jurisdiction of a regulatory agency, he should file with the secretary of state a written statement that he has such a financial interest in such activity which statement shall be open to public inspection.

4. Violations. In addition to any penalty contained in any other provision of law any such officer, member or employee who shall knowingly and intentionally violate any of the provisions of this section may be fined, suspended or removed from office or employment in the manner provided by law. Added L1965, c. 1012, § 4, eff. Jan. 1, 1966.

Subd. 1 amended by L1964, c. 941, § 6, eff. Dec. 1, 1964; L1965, c. 1012, § 4, eff. Jan. 1, 1966. L1964 inserted "other than the division of corporations and state records" and "the board of standards and appeals," and omitted definition of "legislative employee." L1965 omitted definition "regulatory agency," now defined under section 73(1), and added definition of "legislative employee".

Subd. 2 amended by L1964, c. 941, § 6, eff. Dec. 1, 1964; L1965, c. 1012, § 4, eff. Jan. 1, 1966. L1964 omitted "member of the legislature or legislative employee" following "agency." L1965 inserted "member of the legislature or legislative employee".

Subd. 3 amended by L1964, c. 941, § 6, eff. Dec. 1, 1964; L1965, c. 1012, § 4, eff. Jan. 1, 1966. L1964 omitted "member of the legislature or legislative employee" following "agency" in para. a-d, f, h and j. L1965 inserted "member of the legislature or legislative employee" in para. a-f and h.


Legislative declaration. Laws 1954, c. 684, § 1, eff. Jan. 1, 1955 provides: "Declaration of intent. A continuing problem of a free government is the maintenance among its public servants of moral and ethical standards which are worthy and warrant the confidence of the people. The people are entitled to expect from their public servants a set of standards above the morals of the market place. A public official of a free government is entrusted with the welfare, prosperity, security and safety of the people he serves. In return for this trust, the people are entitled to know that no substantial conflict between private interests and official duties exists in those who serve them."

"Government is and should be representative of all the people who elect it, and some conflict of interest is inherent in any representative form of government. Some conflicts of material interests which are improper for public officials may be permitted by legislation. Others may arise in so many different forms and under such a variety of circumstances, that it would be unwise and unjust to proscribe them by statute with inflexible and penal sanctions which would limit public service to the very wealthy or the very poor. For matters of such complexity and close distinctions, the legislature finds that a code of ethics is desirable to set forth for the guidance of state officers and employees the general standards of conduct to be reasonably expected of them."

Cross References
Advisory committee on ethical standards, see Executive Law, § 74.

Powers and duties of attorney general respecting complaints and violations, see Executive Law, § 63.

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Library references
States C-44 et seq.
C.J.S. States §§ 58 et seq., 81.
1/2. Constitutionality
This section, Public Service Law § 74, and Executive Law § 74, generally deny eligibility for employment or appointment to Public Service Commission to any individual holding any official relation to person or corporation subject to supervision of Commission or owning stock in any such corporation of which the establishment committee authorized to advise assist any other state agency in establishing rules and regulations regulating possible conflicts between private interests and public duties of state employees, are constitutional. Nicholas v. Kahn, 1978, 224 A.2d 78, cert. denied, 424 U.S. 913, 96 S. Ct. 1197, 47 L. Ed. 2d 123.

1. Employees within section
The members of the Executive and Regulatory Commission, as provided by Insurance Industry Regulatory Reform, and professional staff members who are engaged as consultants under contractual consulting agreements, are subject to section 73 and this section.


The Department of Agriculture Markets is not a law enforcement agency within the meaning of subdivision 6 of section 7615 of McKinley's Unconsolidated Laws, and its employees are not disqualified from employment at a pari-mutuel raceway under this section, howe ever it is not a law enforcement agency subject to subdivision 3-1 of this section, relating to employment with a business operating a track and which is licensed whose rules are fixed by the Department of Agriculture and Markets.


Members of the State University Board of Trustees and of the council of the State-operated institutions within the University are not officers of the State Education Department and, hence, are within the scope of appropriate provisions of this section and section 73 of the Public Officers Law, but members of boards of trustees of the community colleges are not officers or employees of any State department, being locally elected officials, and, consequently, are not covered by said sections.


By reason of the definition of "employee" or "employee" of a State agency in this section, a member of County Alcoholic Beverage Con
GIVING OR ACCEPTING GIFTS OR GRATUITIES

I. Introduction

The Port Authority has established a reputation as a public service agency with the highest standards of integrity. In order to maintain this reputation, it discourages any practice which might reflect unfavorably either upon itself or its staff.

II. Policy

Port Authority policy forbids any employee:

A. To offer gifts or gratuities of any kind to any individual or organization with whom we do business or are likely to do business.

B. To accept gifts of any kind from any patron, tenant, concessionaire, vendor, or from anyone else with whom we do business or are likely to do business; or accept payment in any form for any services rendered to anyone with whom we do business or are likely to do business.

C. To accept cash discounts on merchandise or services obtained in any way connected with his, or a colleague's, employment at the Port Authority (except for discounts granted to employee organizations or other formal groups).

D. To accept any favors such as entertainment, meals, transportation, etc., either free or at reduced rates which might tend to obligate the employee to any individual or organization with whom we do business or are likely to do business.

III. Interpretation

It is recognized that there may be rare occasions when employees are offered tokens of trifling value, when public transportation or meals are not available, or when the best interests of the Port Authority require that Port Authority policy be varied. The Executive Director has delegated to the Personnel Director the responsibility for advising as to the circumstances under which variations to this policy are justified. In the absence of previous guidance an employee should clear through his department head with the Personnel Director before giving or accepting any article, discount, or other favor. In an extreme case, when a Port Authority employee is impelled to accept
a gift or gratuity, he must forward it to his supervisor. The supervisor will then present a Port Authority Receipt, form PA 5, to the employee. Any monies received are applied to the Employees General Welfare Fund. Gifts are to be returned to the donor with a note explaining that it is contrary to Port Authority policy to accept gifts.

This instruction is not to be construed as restricting the distribution of Port Authority advertising material; nor does it apply to the acceptance of tips by Skycaps and Redcaps. Finally, it is not intended to prevent tipping for specific services when rendered, nor the entertainment of business guests, where this is the normal business practice and it does not conflict with the policy of the employer of the outside person involved.
Opinion No. 210

GUIDELINES

The Mayor has requested the Board to "lay out general guidelines for city officials" in respect to gifts, favors and entertainment.

No guidelines concerning "GIFTS and FAVORS" have been established, except as they are generally set forth in the Charter and the Administrative Code. While the Charter applies to officers and employees "who are paid in whole or in part from the city treasury," the Administrative Code (Code of Ethics) applies to all city officers and employees "whether paid or unpaid." The respective provisions of the Charter and the Code of Ethics follow:

Section 1106 of the Charter entitled "Conflicts of Interests Prohibited" reads

(1) No councilman or other officer, employee or person whose salary is payable in whole or in part from the city treasury

(c) shall accept any valuable gift, whether in the form of service, loan, thing or promise, or any other form from any person, firm or corporation which to his knowledge, is interested directly or indirectly, in any manner whatsoever in business dealings with the city.

(5) Any violation of any of the provisions of this section shall, at the option of the comptroller, render forfeit and void the contract, work, business, sale or transaction affected.

(6) Any violation of any of the provisions of this section shall constitute cause for fine, suspension or removal from office or employment.

(7) If, however, any person shall knowingly and intentionally violate any of the provisions of this section, he shall, on conviction thereof, forfeit his office and be punished for a misdemeanor.

The Code of Ethics (Section 1106-1 of the Administrative Code) of the City of New York, subdivision I entitled "Gifts and Favors" reads as follows:

(i) Gifts and Favors—No councilman or other officer or employee, whether paid or unpaid, shall accept any valuable gift, whether in the form of service, loan, thing or promise, or any other form from any person, firm or corporation which to his knowledge, is interested directly or indirectly, in any manner whatsoever, in business dealings with the city.

Section 2. Any violation of any of the provisions of this section shall constitute cause for fine, suspension or removal from office or employment.

Pursuant to the request of the Mayor, the Board of Ethics establishes the following Guidelines for the future guidance of officers and employees of the City.

GUIDELINES

1. As used herein:
   (a) the term "City employee" includes any councilman or other officer, employee (whether paid or unpaid) of the City or any person whose salary is payable in whole or in part from the City treasury;
   (b) the word "gift" includes money, tangible or intangible personal property, loan, promise, service or entertainment;

2. It is improper for a City employee to solicit or accept any valuable gift from any person, firm or corporation which to his knowledge is interested directly or indirectly, in any manner whatsoever, in business dealings with the City. It is also improper to solicit or accept any valuable gift from a host or donor, if the City employee knows or has reason to believe or it may reasonably be inferred that the host or donor
   (a) seeks to influence action of an official nature or seeks to affect the performance or non-performance of an official duty;
   (b) has an interest which may be substantially affected directly or indirectly by the performance of or non-performance of an official duty;
   (c) is engaged in or has a substantial interest in any enterprise or other activity which is licensed, regulated or otherwise subject to the jurisdiction of any agency of the City;
   (d) has a pending matter before any agency of the City.

3. In order to be able to serve the public effectively, it is essential that our public servants be aware of developments in all areas of activity which affect government in both the public and the private sector. To hamper activities which contribute to this end would deprive our public servants of knowledge and information which, in our opinion, are essential to the administration of government, without any resulting benefit to the City.

4. Certain conduct which might seem to violate the Code if it were to be literally construed does not appear to us to raise any genuine question concerning conflicts of interest. In this connection, we do not believe it improper, for example, if a City employee, at the invitation of one doing business with the City...
(a) occasionally accepts food or drink of moderate cost in connection with the transaction of official business;

(b) is a guest at an annual public affair of organizations such as those composed of representatives of business, labor, news media or groups of a civic, charitable, professional or community nature;

(c) is a guest at ceremonies or functions sponsored or encouraged by the City as a matter of public policy, such as those involving housing, education, legislation, government administration or matters of a civic, charitable or community interest;

(d) is a guest at any function where such attendance has been approved in writing by the Executive Deputy Mayor, the administrator of his agency or the head of his department because his attendance at the function is in the interest of the City;

(e) accepts a gift such as is customary in social amenities between family or friends, when such acceptance is in no way connected with the holding of public office;

(f) applies for and accepts a loan from a financial institution upon terms and conditions, including collateral, customarily offered by such institution to the public at large; or

(g) accepts unsolicited advertising or “give away” material, such as pens, pads, calendars, diaries or similar items of little or nominal value.

5. An unsolicited valuable gift from one who is known by the City employee to be engaged in business dealings with the City should not be accepted and, if possible, should be returned to the donor. If that is not practical, the matter should be reported to the head of the department, who shall then determine its disposition.

6. In our opinion, it creates an appearance of impropriety for a City employee frequently to accept food, drink or entertainment from any person, firm or corporation which has matters pending, or appears regularly before his agency, except as may be appropriate under paragraph 4(a).

7. We construe the statutory provisions to mean that no City employee shall place himself in a position where his private interests may appear to or may actually conflict with his official duties or by reason of which his loyalty, objectivity or judgment may be impaired. The appearance which the City employee projects, as well as his actions, are deemed by the Board to be important elements in determining whether or not there is compliance with or a violation of the statutory provisions.

BRUCE BROMLEY, Chairman; MARK F. HUGHES; POWELI PIERPOINT; J. LEE RANKIN, Corporation Counsel; HARRY I. BRONSTEIN, Director of Personnel.

Opinion No. 211

The Commissioner of Investigation asked the Board for an opinion concerning Albert A. Walsh, Administrator of the Housing and Development Administration, who attended the annual dinner of the Inner Circle as a guest of a contractor who has business dealings with his agency. (Exhibit 1) Administrator Walsh also asked for an opinion.

Various other requests were made and on October 18, 1971, the Deputy Mayor wrote that he was “formally” transmitting the Mayor’s “request that the Board of Ethics look into questions raised by the press regarding city officials accepting invitations to attend the Inner Circle Dinner as guests of certain businessmen”, and to “lay out general guidelines for city officials in respect to lunches and dinners at which they are guests”. (Exhibit 2)

All requests for the opinion were widely publicized in the press and consequently we are not making the deletions “necessary to prevent disclosure of the identity of the officer or employee” as required by the statute.

The “Guidelines” requested by the Mayor are set forth in Opinion No. 210. This opinion will address itself specifically to the attendance by Administrator Walsh at the annual dinner of the Inner Circle as the guest of De Matteis Construction Company, an organization which has business dealings with the City and with the Agency of which Administrator Walsh is the head.

The Inner Circle is an organization which consists of journalists assigned to City Hall. These are the reporters from all of the communication media who comment upon and transmit to the public the operations and news of the City government. It has been in existence for approximately fifty years and except for the war years it has had an annual dinner and show for many of those years. The show has traditionally been a lampoon of public figures active in City affairs. Like its counterparts, the Gridiron Club
4 August 1983

Ms. Judith Hamill
Financial Representative
R. R. Donnelley & Sons Co.
80 Pine Street
New York, N.Y. 10005

Dear Judy:

I am enclosing, for the information of your billing department, a copy of the statutory provision regarding the exemption of the Municipal Assistance Corporation from the imposition of the state sales and compensating use tax (Section 1116(a)(1) of the New York State Tax Law).

Sincerely,

[Signature]

Stephen J. Weinstein
Deputy Executive Director
and Counsel

Enclosure
§ 1115  Tax Law  Art. 28

(e) Telephone and telegraph service paid for by inserting coins in coin-operated telephones where the charge is ten cents or less shall be exempt from the tax imposed under subdivision (b) of section eleven hundred five.

(f) Services rendered by a veterinarian licensed and registered as required by the education law which constitute the practice of veterinary medicine as defined in said law, including hospitalization for which no separate boarding charge is made, shall not be subject to tax under paragraph (3) of subdivision (c) of section eleven hundred five, but the exemption allowed by this subdivision shall not apply to other services provided by a veterinarian to pets and other animals, including, but not limited to, boarding, grooming and clipping. Articles of tangible personal property designed for use in some manner relating to domestic animals or poultry, when sold by such a veterinarian, shall not be subject to tax under subdivision (a) of section eleven hundred five or under subdivision (b) of section eleven hundred ten. However, the sale of any such articles of tangible personal property to a veterinarian shall not be deemed a sale for resale within the meaning of paragraph (4) of subdivision (b) of section eleven hundred one and shall not be exempt from retail sales tax.

(g) Services otherwise taxable under paragraph (3) of subdivision (c) of section eleven hundred five shall be exempt from tax if performed upon prosthetic aids, hearing aids, or eyeglasses and artificial devices designed for the use of a particular individual to correct or alleviate physical incapacity.

Art. 28  Sales and Use Taxes

§ 1116  Taxation  Art. 28


Subd. (a), par. (17). L.1971, c. 221, § 2, eff. May 4, 1971, retroactive to Sept. 1, 1969, renumbered former par. (15) as (17) and struck out "unless the sale of such tangible personal property to such contractor, subcontractor or representative was a taxable retail sale at the time it occurred."

1972 Amendment. Subd. (a), par. (14). L.1972, c. 47, eff. Sept. 1, 1972, inserted "or by a parent to his or her child, or by a child to his or her parent."

1971 Amendment. Subd. (a), par. (15). L.1971, c. 221, § 2, eff. May 4, 1971, retroactive to Sept. 1, 1969, renumbered former par. (14) as (15) and struck out exemption for tangible personal property sold to a contractor, subcontractor, or representative for consumption in erecting a structure or building of an exempt organization or in repairing real property, property, or land of such an organization. Former par. (15) renumbered (17).


Subd. (a), par. (15). L.1974, c. 513, § 1, eff. Sept. 1, 1974, deleted proviso requiring that the tangible personal property be resold to an organization described in § 1118 subd. (a) as tangible personal property before it has become a part of a structure, building, or real property in order to qualify for an exemption under this paragraph and deleted item (l) designation preceding "is to become."

Subd. (a), par. (16). L.1974, c. 513, § 2, eff. May 23, 1974, inserted proviso that no exemptions shall exist under this paragraph unless the tangible personal property is to become an integral component part of the structure, building, or real property.

Notes of Decisions

Containers 2  Sewage treatment plant construction

1. Sewage treatment plant construction

A developer may not use a town's tax exemption for the purchase of materials to be used in the construction of a sewage treatment plant which will, upon completion, be given to the town on behalf of a sewer district. Op. State Compt. 73-30.

2. Containers

Sales of three-gallon ice cream containers by cooperative, which included cost of such containers in sales price of bulk leaf cream sold to wholesalers and commercial users such as bakeries and ice cream stores or parlors, were subject to sales tax imposed on retail sales of tangible personal property, though it was contended that containers became a physical component of ice cream contained therein and thus were purchased for resale and though ice cream was exempt from such tax because it was food. Dairy Fea Co-op. Inc. v. State Tax Commission, 1973, 41 A.D.2d 312, 342 N.Y.S.2d 761.

§ 1116. Exempt organizations

(a) Except as otherwise provided in this section, any sale or amusement charge by or to any of the following or any use or
Date: 4 August 1983
To: Dennis Sullivan
From: Steve Weinstein
Re: Annual Report

The schedule for production of the 1983 Annual Report includes the following critical dates:

- August 5  Financial Statements and Management Section
- August 25  Text and Management Report
- August 31  Artwork
- September 1  Chairman's Letter
- September 21  Delivery of Finished Report
- September 28  Publication Deadline
  (90 days after close of fiscal year under MAC bond covenants)
The Municipal Assistance Corporation For The City of New York presents its financial statements for the Corporation's 1983 fiscal year, which ended June 30, 1983. The Corporation is publishing its audited annual financial statements prior to the release of its annual report in September in order to provide a continuous flow of current information to its investors and the financial community.

On May 5, 1983, the Corporation issued its Second General Resolution Series 45 Bonds in the aggregate principal amount of $118.345 million. All of the net proceeds of the Series 45 sale are to be used to acquire bonds of the City of New York which are to be used to finance a portion of the City's capital program.

During the quarter, the Corporation continued to market its commercial paper notes. At June 30, 1983, the Corporation had $247 million of commercial paper notes outstanding at interest rates ranging from 4.125% to 5.25%
and maturities ranging from 1 to 42 days. The net proceeds of the commercial paper sales will be used to finance a portion of the City's capital program.

During the quarter ended March 31, 1983, the Corporation issued $420,000 principal amount of Second General Resolution Series 42 Bonds. The Corporation previously issued Series 41 Bonds with warrants to purchase $100 million Series 42 Bonds. Exhibit III includes a pro forma presentation which assumes that all of the remaining Series 42 Warrants have been exercised and that the full authorized principal amount of $100 million of Series 42 Bonds has been issued.

At June 30, 1983, the Corporation had on deposit in its Capital Reserve Fund approximately $1,065.1 million, comprising approximately $296.6 million relating to the First General Resolution Bonds and $768.5 million relating to the Second General Resolution Bonds. Such amounts equalled or exceeded the required funding levels.

The combined net revenues from the New York State Sales and Stock Transfer Taxes which were deposited in the Municipal Assistance Tax Fund and available to the Corporation during the three and twelve month periods ended June 30, 1983 amounted to approximately $670.8 million and $2,436.8 million, respectively, an increase of 61.4% and 26.1% over the comparable period ended June 30, 1982. Sales
Tax revenues during the three and twelve month periods ended June 30, 1983 amounted to $388.9 million and $1,488.9 million, respectively, an increase of 34.8% and an increase of 6.3% over comparable periods ended June 30, 1982. Stock Transfer Tax revenues during the similar periods amounted to $281.9 million and $947.9 million, respectively, an increase of 122.0% and 78.6% over the comparable periods of the prior year. During the twelve months ended June 30, 1983, approximately $484 million of New York State Per Capita Aid was deposited in the Municipal Assistance State Aid Fund and available to the Corporation.

T. Dennis Sullivan II was appointed Executive Director of the Corporation, effective June 30, 1983.

Felix G. Rohatyn
Chairman

T. Dennis Sullivan II
Executive Director
3 August 1983

Administration Committee

Stephen J. Weinstein

Legal Expenses

This Memorandum is to report the results of the Corporation's legal expenses for Bond Counsel and General Counsel during the fiscal year ended June 30, 1983, to review the fee structure and to recommend appropriate adjustments.

Beginning in October 1980, the Corporation implemented new schedules of fees for its Bond Counsel -- Hawkins Delafield & Wood, and for its General Counsel -- Paul, Weiss, Rifkind, Wharton & Garrison, which subsequently have been adjusted and increased three times, effective on July 1, 1981, January 1, 1982 and, most recently, on January 1, 1983.

These changes have been predicated on a policy designed to raise the remuneration for outside counsel, while producing uniformity of billing for both firms, assuring neutrality in their staffing decisions and reducing the differential between their average hourly rates, with their fees to be reviewed annually. Until the adoption of this program in October 1980, the billing bases for these firms were disparate and had remained unchanged since they were first engaged by the Corporation in June 1975.

Presently, the fee schedule is identical for both firms and, since January 1983, has been as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>First and Second Year Associates</td>
<td>$85</td>
</tr>
<tr>
<td>Third and Fourth Year Associates</td>
<td>$105</td>
</tr>
<tr>
<td>Fifth Year and Over Associates</td>
<td>$115</td>
</tr>
<tr>
<td>Partners Less Than Ten Years</td>
<td>$140</td>
</tr>
<tr>
<td>Partners Ten or More Years</td>
<td>$175</td>
</tr>
</tbody>
</table>

As we discussed at the Administration Committee meeting in May, these fees appear to be appropriate and reasonable for both the Corporation and the law firms at present, and therefore no increases are recommended at this time. Rather, the fees for Hawkins and Paul Weiss should be reviewed again next Spring as a part of preparation of the operating budget for fiscal 1985, and any changes then approved should become effective on July 1, 1984.
3 August 1983
Administration Committee
Page 2

Despite the fee increases in effect for the second half of fiscal 1983, including the introduction of the "Senior Partner" category, the combined billings of both firms again declined to a record low, somewhat less than the preceding year (down by 27% for Paul Weiss and up by 13% for Hawkins). The billings for these legal services have remained remarkably modest -- $336,868 in 1983, indicating a continuing pattern of decreased dependence upon and expense of outside counsel.

Moreover, a more accurate indication of the continuing assumption by the Corporation's staff of a greater portion of its legal work during 1983 is the decline in the combined hours billed by 347, or about 12% (down by 32% for Paul Weiss and unchanged for Hawkins), approximating the decline of about 13% in the previous year. The 1983 hours totalled only 2,554 for both firms combined, down from 2,901 in 1982, with comparable levels of financing activities in both years.

For comparative purposes, if fees had been held constant in 1983, total combined billings would have shown a decline of more than $21,000 from the year before. In addition, a significant portion of the Hawkins billings for 1983 -- some 332 hours and $45,000 -- was attributable to special tax matters, indicating that the legal work undertaken in connection with the Corporation's ongoing financing activities actually covered that many fewer hours and dollars than the year before.

One other item must be added to accurately assess our annual expenditures for legal services -- a reduction in the number of lawyers on the Corporation's staff from three to two, beginning in July 1982. This resulted in a savings in payroll and related expenses of approximately $73,000 in fiscal 1983 over 1982.

The only area in which the fee arrangements implemented three years ago have not produced the intended result is reduction of the average hourly rate differential between Hawkins and Paul Weiss. That differential was $10.86 in 1982, based on average rates of $114.13 for Hawkins and $103.27 for Paul Weiss. During 1983, the difference widened
3 August 1983
Administration Committee
Page 3

to $13.13, due to average rates of $128.81 for Hawkins (up about 13% from 1982) and $115.68 for Paul Weiss (up about 12% from 1982). Both averages continued to move in the intended direction, and the average rate for each firm rose by about the same percentage during the year, as a result of the increased fees put into effect in January 1983.

It is doubtful that an equitable approach can be devised which would on any predictable basis reduce the differential in average hourly rates between the two firms, inasmuch as the respective averages merely reflect actual staffing patterns, over which the Corporation has little real control. Staffing necessarily varies with the type and level of outside legal services required to meet the Corporation's changing needs, which flexibility is essential to our operations.

The history of the Corporation's legal expenses is presented in tabular form at the end of this memorandum.

With regard to Carter, Ledyard and Milburn, the firm which serves as counsel to the United States Trust Company of New York, Trustee for the Corporation's bondholders, a review of fees is in order at this time. The Corporation pays the expenses for these services to the Trustee, as required by the general bond resolutions.

There has been no change in our payment basis for Carter Ledyard in more than eight years since the Corporation's establishment. They have always billed us at their regular rates, and we have always paid them, in accordance with a procedure devised by the State Comptroller in 1975, at hourly rates not to exceed $100. The firm's present regular rates for associates extend from $85 to $115 and are very nearly the same as we now have in effect for Hawkins and Paul Weiss, while their regular partner rates range from $170 to $230. This anomaly results in not only a substantial involuntary "discount" but lesser levels of remuneration for all partners and for senior associates than we presently provide either of our own outside counsel.

With your approval, I will discuss with Carter Ledyard the recommendation that the fees we pay them be adjusted upward to the same rate basis as we currently use for Hawkins and Paul Weiss. I recommend that, if Carter Ledyard is in agreement, the new rates be put into effect at the time of their next billing.
MUNICIPAL ASSISTANCE CORPORATION

RECORD OF CHARGES AND HOURS
FOR LEGAL SERVICES PROVIDED

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Paul, Weiss, Rifkind Wharton &amp; Garrison</th>
<th>Hawkins, Delafield &amp; Wood</th>
<th>Both Firms Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Professional Hours</td>
<td>Total Billings</td>
<td>Professional Hours</td>
</tr>
<tr>
<td>1976</td>
<td>$1,448,004</td>
<td></td>
<td>$984,699</td>
</tr>
<tr>
<td>1977</td>
<td>$702,681</td>
<td></td>
<td>$404,544</td>
</tr>
<tr>
<td>1978</td>
<td>$384,749</td>
<td></td>
<td>$431,641</td>
</tr>
<tr>
<td>1979</td>
<td>4,197</td>
<td>$383,283</td>
<td>3,926</td>
</tr>
<tr>
<td>1980</td>
<td>1,331</td>
<td>$123,676</td>
<td>2,182</td>
</tr>
<tr>
<td>1981</td>
<td>1,484</td>
<td>$168,447</td>
<td>1,847</td>
</tr>
<tr>
<td>1982</td>
<td>1,074</td>
<td>$121,624</td>
<td>1,827</td>
</tr>
<tr>
<td>1983*</td>
<td>732</td>
<td>$88,444</td>
<td>1,822</td>
</tr>
</tbody>
</table>

* In addition, payroll expenses for staff counsel were $73,369 lower in 1983 than in 1982.
2 August 1983

Mr. Larry Flood
Shearson/American Express Inc
Two World Trade Center 105th Floor
New York, NY 10048

Dear Larry:

Just a brief note to thank you for arranging lunch with you and your colleagues at Shearson/American Express. I appreciated greatly the opportunity to learn about the firm and I look forward to working with you in the weeks and months ahead.

With best wishes,

Sincerely,

[Signature]

T. Dennis Sullivan II
Executive Director

TDS: dnd
2 August 1983

Mr. Dall W. Forsythe
Vice President
Shearson/American Express Inc
Two World Trade Center 105th Floor
New York, NY 10048

Dear Dall:

Just a brief note to express my thanks for lunch. I enjoyed meeting you and your colleagues at Shearson/American Express, and I look forward to working with you. I particularly appreciate your generous offer to help me in sorting out the intricacies of the New York City political/financial scene.

With best wishes,

Sincerely,

T. Dennis Sullivan II
Executive Director

TDS:dnd
2 August 1983

Mr. Peter A. Avalone
First Vice President
Shearson/American Express Inc
Two World Trade Center 105th Floor
New York, NY 10048

Dear Peter:

Just a brief note to express my thanks for lunch. I enjoyed meeting you and your colleagues at Shearson/American Express, and I look forward to working with you. I was particularly intrigued to learn of your year in Newark. I would love to hear more about your experiences.

With best wishes,

Sincerely,

T. Dennis Sullivan II
Executive Director

TDS:dnd
T. Dennis Sullivan II

One World Trade Center, Suite 8901
New York, New York 10048
Telephone: (212) 775-0010

2 August 1983

Mr. Richard C. Bain, Jr.
Shearson/American Express Inc
Two World Trade Center 105th Floor
New York, NY 10048

Dear Bud:

Just a brief note to thank you for a very enjoyable luncheon. I appreciated greatly the opportunity to meet you and your colleagues and to learn about Shearson/American Express. I look forward to working with you in the weeks and months ahead.

With best wishes,

Sincerely,

[Signature]

T. Dennis Sullivan II
Executive Director

TDS:dnd
1 August 1983

To: Andrew P. Steffan

From: T. Dennis Sullivan II

Re: Proposed Fee Increase for Price Waterhouse

In addition to the materials forwarded to the members of the Audit Committee by Steven Kantor for the August 4th meeting, we have the matter of the proposed fee increase for Price Waterhouse. I have attached a copy of the proposed schedule of fees for fiscal 1984 along with some historical information. While I suggest that the Audit Committee recommend this fee schedule to the full Board for approval at the Annual Meeting, I understand that this matter caused some stir last year.

If you wish, I will circulate the proposed increase to the members of the Committee prior to the meeting. Alternatively, I can simply add this item to the agenda and distribute the proposal at the time of the meeting. I would appreciate your guidance on how to approach this matter.

TDS: dnd
Enclosure
Proposed Schedule of Fees by Price Waterhouse for FY 1984

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>$ 135</td>
<td>243</td>
<td>$ 145</td>
<td>108</td>
<td>$ 155</td>
<td>6.9%</td>
</tr>
<tr>
<td>Manager</td>
<td>$ 105</td>
<td>528</td>
<td>$ 105</td>
<td>314</td>
<td>$ 112</td>
<td>6.7%</td>
</tr>
<tr>
<td>Senior</td>
<td>$ 63</td>
<td>513</td>
<td>$55-67</td>
<td>861</td>
<td>$57-69</td>
<td>3.6% - 3.0%</td>
</tr>
<tr>
<td>Staff</td>
<td></td>
<td></td>
<td>$35-46</td>
<td></td>
<td>$37-48</td>
<td>5.7% - 4.3%</td>
</tr>
</tbody>
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Auditing Fees Paid

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
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1 August 1983

Mr. Rob Nelsen
Account Manager
Lloyd Bush & Associates
156 William Street
New York, NY 10038

Dear Rob:

Enclosed is a copy of MAC's most recent quarterly report. Angelina Saraceno, MAC's Comptroller and I look forward to seeing you at MAC on Friday, August 5th at 2 p.m. Steve Kantor, Deputy Executive Director, will also try to join us.

Best wishes,

Anne Columbia

AC: dnd
Enclosure

cc: S. Kantor
    A. Saraceno
1 August 1983

The Honorable Thomas Carper  
Member of Congress  
House of Representatives  
Washington, DC  20515  

Dear Tom:  

Just a brief note to express my sincere — albeit belated — thanks for your thoughtful June letter. The decision to leave Delaware has not been an easy one for me, and I have found myself reluctant to write or talk with people about it. Indeed, it is precisely because of friendships like yours that has made accepting the job at MAC so difficult. Nevertheless, the die has been cast and you can now find me at the MAC offices in the World Trade Center.  

I trust that you will feel free to come and visit whenever you are in New York. Susan and I would love to see you and Diane.  

With best wishes,  

Sincerely,  

T. Dennis Sullivan II  
Executive Director  

TDS:dnd
1 August 1983

The Honorable Kermit Justice
Secretary, Department of Transportation
Highway Building Route 113
Dover, DE 19901

Dear Kermit:

I suspect that the last thing you expected to find in your morning mail was a letter from me. Nevertheless, I am writing for two purposes. The first is to thank you for your help and encouragement over the past three years. I enjoyed very much working with you and I particularly appreciated your patience with me as we went about the process of balancing the FY 1983 budget.

In addition, I am writing to recommend that you give serious consideration to the application of Frances Smith for the position of labor relations representative in DOT. I understand from Fran, who is a Personnel Officer with the Department of Finance, that she has already filed the appropriate forms with Sandy Slater. While I have no idea of the quality of the pool of candidates which you have for the position, I can tell you that I think quite highly of Fran who worked for me throughout the time I was with the State. She is a conscientious individual with considerable energy and drive, and I believe she deserves a careful review.

With best wishes,

Sincerely,

T. Dennis Sullivan II
Executive Director

TDS:dnd
1 August 1983

Ms. Frances M. Smith
382 Nimitz Road
Dover, DE 19901

Dear Fran:

Just a short note to thank you for your letter of July 25. I would be pleased to write to Kermit Justice on your behalf. Indeed, I have already put a letter in the mail to him. Let me know how things turn out.

Thanks also for your card and your kind words. I enjoyed working with you, and I hope you will come and visit me at MAC whenever you are in New York.

With best wishes,

Sincerely,

T. Dennis Sullivan II
Executive Director

TDS: dnd
1 August 1983

Honorable Edward V. Regan
Comptroller
STATE OF NEW YORK
Department of Audit and Control
A. E. Smith Office Building
Albany, New York 12224

Dear Mr. Regan:

I am writing to request your approval, as required by Section 3012(1)(e) of the Corporation's enabling legislation, of the Corporation's Series 3 commercial paper program (the "Series 3 Program") consisting of the sale of $100 million of Series 3 commercial paper notes (the "Series 3 notes") and attendant obligations. The Series 3 Program is intended to supplant the Corporation's initial $100 million commercial paper program, known as the Series 1 Program, which commenced July 26, 1982 and which was approved by you on July 15, 1982.

As you will recall, the Corporation's commercial paper program was augmented in January 1983 by the issuance of $150 million of Series 2 commercial paper notes and attendant obligations (the"Series 2 Program"), for which the Corporation received your approval on January 3, 1983. The proposed Series 3 Program, as briefly described in this letter, will in no way affect the continuing operation of the Series 2 Program.

The Corporation and Citibank, N.A. signed a Letter of Commitment on July 11, 1983 (the "Letter of Commitment"), a copy of which is enclosed, pursuant to which Citibank has agreed to provide a $100 million direct pay letter of credit in support of the Series 3 notes. The direct pay letter of credit mechanism is different from the structure of both the Series 1 and Series 2 Programs, which are supported by individual revolving lines of credit. Under the Series 3 Program, bank funds would be used to pay maturing Series 1 notes (until phased out within 45 days of the start of the Series 3 Program) and Series 3 notes, subject to same-day reimbursement from funds of the Corporation which, in the
normal course of business and throughout the life of the Series 3 Program, would consist largely of the proceeds of additional Series 3 notes. By utilizing a direct pay letter of credit for the Series 3 Program instead of a revolving line of credit, the Corporation expects to increase the maximum maturity on its notes to 270 days by alleviating the bankruptcy law considerations which resulted in placing a 45 day maximum maturity on the Series 1 and Series 2 notes. Such increase in maximum maturity is expected to expand the Corporation's market for its commercial paper.

In the event that the Corporation does not reimburse Citibank for funds expended to pay maturing Series 1 notes (until phased out) or Series 3 notes on the day such funds were expended, such Citibank expenditure would constitute an advance and, upon termination of the Series 3 Program, would be repayable over a period of not less than five years. The five year amortization period, identical to that in the Series 1 and Series 2 Programs, ensures that the eventual funding of the Series 3 notes will avoid any adverse fiscal impact on the City of New York's (the "City") operating budget in any one year.

The Series 3 Program, like the Series 1 and Series 2 Programs, will take advantage of the continuing marked differential in the public credit market between long-term and short-term tax-exempt yields. As the Corporation is currently holding approximately $250 million of proceeds from its Series 1 and Series 2 notes for payment to the City for City capital expenditures, the maximum to be provided the City by the commercial paper program under the Debt Issuance Plan formulated by the Corporation and the City, all proceeds of the Series 3 notes will be used to refund outstanding Series 3 notes and previously issued Series 1 notes until no such notes are outstanding. As a result of the differential between long-term and short-term rates, the Corporation expects to achieve significant savings with the Series 3 Program, as compared to a bond issuance. In addition a reduction in the cost of the supporting credit facility over the Series 1 facility will produce savings of $750,000 a year in issuance expenses.

The Corporation and Citibank are presently preparing documentation to implement the Series 3 Program, final copies of which will be provided to you as completed. In
addition to your approval and the Board's final authorization, the Corporation will request the approval of the Mayor and Comptroller of the City to the pledge of City bonds to secure the payment of the Corporation's obligation to Citibank under the Series 3 Program. It is expected that those City bonds presently securing the Corporation's obligations to Citibank under the Series 1 Program will be transferred to the Series 3 Program as the Series 1 Program is phased out. No other approvals will be required before the sale of Series 3 notes may begin.

The Corporation will request each of the rating agencies to rate the Series 3 notes. It is not expected that any difference in the Series 3 Program from the Series 1 and 2 Programs will result in the Corporation's obtaining a less favorable rating from each agency for the Series 3 notes. Standard & Poor's Corporation, Fitch Investors Service and Moody's Investor Services, Inc., rate the Series 1 and Series 2 notes "A1+", "F-1" and "P1", respectively.

Outlined below are the salient provisions of the authorizing resolutions to be adopted by the Corporation's Board of Directors as well as the direct pay letter of credit agreement between the Corporation and Citibank, N.A. (the "Series 3 Credit Agreement") and related documents for the Series 3 Program.

The Series 3 notes will be authorized to be issued pursuant to a Commercial Paper Note Resolution (the "Note Resolution") and not pursuant to either the Corporation's First or Second General Bond Resolutions or the resolutions authorizing sales under the Series 1 or 2 Programs. The Note Resolution will provide that the Series 3 notes, which will be general obligations of the Corporation subordinate to obligations issued under the First or Second General Bond Resolution, but on a parity with the Series 1 and 2 notes, may be issued from time to time during the course of the Series 3 Program, subject to the following limitations: the aggregate principal amount of the Series 3 notes, when added to interest payable at maturity on the Series 3 notes and principal and interest payable at maturity on the outstanding Series 1 notes as such program is phased out, may not exceed $100 million outstanding at any time; no Series 3 notes may be issued for purposes other than refunding already outstanding Series 1 or 3 notes; no Series 3 notes may mature later than July 1, 1987; and the term of any Series 3 note may not exceed 270 days.
Both Series 2 and 3 notes will be marketed pursuant to an agreement (the "Dealer Agreement") among the Corporation, the First Boston Corporation, Salomon Brothers Inc and Citibank, N.A. (collectively, the "Dealers"), which will supersede the dealer agreement for the Series 1 and 2 Programs. The Senior Dealer will be designated on a rotating basis. Both Programs may be described in an offering memorandum to be prepared and made available by the Dealers to prospective purchasers. Both series of notes will be issued in denominations of not less than $250,000 and will mature on dates not more than 45 days after issuance, in the case of Series 2 notes, and 270 days after issuance, in the case of Series 3 notes, both as selected by the individual investors. The notes may be sold at a discount, in which event the obligations will not bear interest, or as interest-bearing obligations. The notes will be issued in bearer or registered form. The effective rate of interest on any note may not exceed the maximum rate permitted by applicable law at the time of issuance. It is anticipated that the notes will be priced competitively in accordance with market conditions existing at the time of issuance.

In addition to the line of credit provided by Citibank and Manufacturers Hanover Trust Co. with respect to Series 2 and the Series 3 Credit Agreement, the Corporation's arrangement with the Dealers obviates the need to utilize either or both of the credit agreements for periods of up to five weeks. In the event that purchasers cannot be found for all or a portion of the notes to be marketed on a given day, the Dealers have agreed, upon certain conditions, to purchase for their own accounts notes with maturities of seven days. The Dealers are obligated to make such purchases for a maximum of five successive seven-day periods if during that period there are no investors found for any or all of the notes, subject only to annual holding limitations and their determination that the inability to market the notes is not due to the creditworthiness of the Corporation.

Proceeds of the Series 3 notes will be used to pay maturing Series 1 or 3 notes, or to repay advances under the Series 3 Credit Agreement. In addition, maturing Series 3 notes may be paid with proceeds of a long-term bond issuance of the Corporation, revenues of the Corporation not otherwise required for payment of debt service on outstanding bonds issued under the First or Second General Bond Resolution or from advances made under the Series 3 Credit Agreement.
The Corporation's obligation to repay the advances, if any, made under the Series 3 Credit Agreement, will be evidenced by a note (the "Bank Note") which will be executed simultaneously with the Series 3 Credit Agreement. The Bank Note is payable in an aggregate principal amount equal to the amount of the advances actually made by Citibank but not to exceed $100 million. Amortization of the Bank Note will be made on a quarterly basis in substantially equal installments over a period of approximately, but not less than, five years commencing upon termination of the Series 3 Credit Agreement.

Interest is payable on the Bank Note from the date any advance is made until payment at the following rates: from the date of any such advance to the termination date of the Credit Agreement, 0.5% above the higher of Citibank's "base rate" or "alternate base rate" (as defined in the Letter of Commitment); from the termination date to its second anniversary, 1% above the higher of such rates; and thereafter until final payment of the Bank Note, 1.5% above the higher of such rates. Upon the occurrence of an event of default under the Series 3 Credit Agreement the rate is increased to 2.0% above such rates.

In addition, the Bank Note may be converted at the option of Citibank or, under certain circumstances, the Corporation, to Second Resolution Bonds to be issued by the Corporation. In the event that the Bank Note is to be converted to bonds, the Corporation will issue Series 46 Bonds pursuant to its Series 46 Resolution. Such Series 46 Bonds will mature not later than eleven years after the first day of July next succeeding their delivery. The Series 46 Bonds may mature serially or be amortized by operation of substantially equal mandatory sinking fund payments.

The interest rate on such bonds will be established by the Corporation, with the concurrence of Citibank, taking into consideration the market prices and yields to maturity of other Second Resolution Bonds then outstanding which have substantially similar characteristics. If Citibank does not concur, an independent appraiser is to determine the rate in accordance with the market criteria to be set forth in the Series 3 Credit Agreement.

Your approval of the sale of the obligations comprising the Series 3 Program, upon the terms described herein and set
1 August 1983
Hon. Edward V. Regan
Page 6

forth in detail in the Letter of Commitment, is respectfully requested. We further request your approval of the system of accounts of the Corporation, as required by Section 3013(4) of the Corporation's enabling legislation, to the extent the same will be prescribed in its Note Resolution, Bank Note Resolution and Series 46 Resolution, all to be adopted by the Corporation's Board of Directors and substantially similar to those established previously for the Series 1 and Series 2 Programs.

Sincerely,

T. Dennis Sullivan II
Executive Director
TDS: bba

The sale of the above described obligations of the Municipal Assistance Corporation For The City of New York comprising its Series 3 commercial paper Program upon the terms above described and the system of accounts of the Corporation to the extent the same will be prescribed in the Series 3 commercial paper Note Resolution, the Bank Note Resolution, and Series 46 Resolution, to be adopted by its Board of Directors and substantially similar to those established previously for the Series 1 and Series 2 Programs, are hereby approved.

Edward V. Regan, Comptroller

Dated: __________, 1983