31 August 1988

Mr. Robert J. Freeman
Department of State
Committee on Open Government
State of New York
162 Washington Avenue
Albany, New York 12231

Re: Personal Privacy Protection Law Report

Dear Mr. Freeman:

In response to your recent request, I hereby advise you that the Municipal Assistance Corporation received no requests for information pursuant to the Personal Privacy Protection Law during the period from September 1, 1987 to the date hereof.

Sincerely,

[Signature]

Maxine H. Gillman
Counsel and Secretary

MHG:vs#302
31 August 1988

Mrs. Margaret Al Akl
Post Office Box 224
Garden City, New York 11530

Dear Mrs. Al Akl:

This is in response to your letter of August 26, 1988.

I am the official of the Municipal Assistance Corporation charged with responsibility for managing its operations.

The letter which you received earlier in August from this office fully recites the facts related to the February 1988 redemption of the Corporation's Series CC Bonds and accurately states our position on this matter.

Sincerely,

[Signature]

Stephen J. Weinstein
Executive Director

aa:103
Steven Mark Britz, Assistant Counsel
MAC
1 World Trade Center
Re: Redemption of 1976 Series CCR Bonds

Dear Mr. Mark Britten:

In response to your 8/16/88 letter... No, my concerns have not been satisfactorily addressed.

First of all, I addressed my letter to Mr. Felix Rotan, and can only assume it was not permitted to reach him.

Secondly, I did not read the Wall Street Journal announcement, and I never read that is a prerequisite for knowing whether or not a registered bond is called!

Your lengthy letter never addressed the following ambiguous printout with headings such as:

1. "Registered Bonds called IN PART bearing the prefix CCR followed by numbers"
2. "Registered Bonds called in FULL bearing the Prefix CCR followed by specific numbers"
3. "The above numbered bonds (or specific portions thereof) will become due" etc.

If all CCR Bonds were to be called, why mislead a reader with so many categories and numbers? Why not send a notice that ALL CCR Bonds have been called?

Furthermore, I sought clarification of the printout by taking the appropriate action to call the US Trust. I was told that if my number was not on the list, my bond was not called. Why, Mr. Mark Britten, would I keep a called bond and lose interest?
How is it that Corporations with so many shareholders send clear messages to individual stockholders? I was an unregistered bond holder and as such I should have received a clear CCR bonds have all been called.

When I brought my bond to US Trust in response to a 6 month's (after the fact) certified letter, I spoke with Mr. Lawler. He advised me to put my problem in writing and mail it to him. The recovery of interest, he said, is decided on an individual basis; which means a precedent had been established.

I am being penalized by a loss of 6 months interest because of an ambiguous printout and incorrect advice from the US Trust. For these reasons, I am requesting my lost interest.

(Mrs.) Margaret Al Akl

MARGARET AL AKL
P.O. Box 323
Garden City New York 11530
31 August 1988

Mr. Robert J. Freeman
Department of State
Committee on Open Government
State of New York
162 Washington Avenue
Albany, New York 12231

Re: Personal Privacy Protection Law Report

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[Signature]

Maxine H. Gillman
Counsel and Secretary

MHG:vs#302
30 August 1988

Evan A. Davis, Esq.
Counsel to the Governor
Executive Chamber
State Capitol
Albany, New York 12224

Re: Assembly Bill 5771

Dear Mr. Davis:

Your office has requested the Corporation's views on Assembly Bill 5771, which has passed both houses of the State legislature.

This legislation would require certain enumerated public benefit corporations, among others, to assess environmental problems created by their operations on an annual basis and to submit a report thereon.

Since the Corporation is not among the public benefit corporations listed in Section 4 of the bill as expressly subject to the bill's provisions and since the scope of our operations does not touch upon environmental issues, we advise you that we have no comment on such legislation.

Sincerely,

Maxine H. Gillman
Counsel

MHG:vsj#301
STATE OF NEW YORK

Cal. No. 286

1987-1988 Regular Sessions

IN SENATE

May 5, 1987

Introduced by Sens. FARLEY, DALY, BRUNO, DUNNE -- read twice and ordered printed, and when printed to be committed to the Committee on Environmental Conservation -- recommitted to the Committee on Environmental Conservation in accordance with Senate Rule 6, sec. 8 -- reported favorably from said committee, ordered to first and second report, ordered to a third reading, passed by Senate and delivered to the Assembly, recalled, vote reconsidered, restored to third reading, amended and ordered reprinted, retaining its place in the order of third reading.

AN ACT to amend the environmental conservation law, in relation to state environmental audits.
2. Each state agency and each public authority or public benefit corporation identified in subdivision four of this section shall, in addition to the annual environmental assessment required pursuant to subdivision one of this section, prepare an audit identifying any environmental problems caused by past agency, authority or corporation activity, including an identification of any inactive hazardous waste disposal sites as defined pursuant to article 27 of this chapter. Such audit shall be prepared within one hundred eighty days of the effective date of this section, and shall be submitted to the department for its review.

3. The department shall, before July first of each year, submit an annual report to the governor and the legislature summarizing the results of each state agency, public authority or public benefit corporation environmental audit received by the department, as provided for in subdivision one of this section. The department shall also, within sixty days of the deadline for submittal of state agency, public authority or public benefit corporation audits identifying environmental problems caused by past agency, authority or corporation activity, as provided for in subdivision two of this section, submit a report to the governor and the legislature summarizing the results of each agency, authority or corporation report received by the department.

4. The following public authorities and public benefit corporations shall be subject to the provisions of this section: Albany Port District Commission, Battery Park City Authority, Capital District Transportation Authority, Central New York Regional Transportation Authority, Dormitory Authority of the State of New York, Facilities Development Corporation, Metropolitan Transportation Authority (including the operations of all of its operating units), New York State Energy Research and Development Authority, New York State Environmental Facilities Corporation, New York State Olympic Regional Development Authority, New York State Thruway Authority, New York State Urban Development Corporation, Niagara Frontier Transportation Authority, Ogdensburg Bridge and Port Authority, Port Authority of New York and New Jersey, Port of Oswego Authority, Power Authority of the State of New York, Rochester-Geneese Regional Transportation Authority, and any other major public authority or public benefit corporation which performs a state function and which is identified by the commissioner for the purpose of complying with this section.

5. The department shall develop guidelines for the preparation of environmental audits by state agencies, public authorities or public benefit corporations.

§ 2. This act shall take effect on the one hundred twentieth day after it shall have become a law, provided however, that effective immediately, all actions and procedures with respect to the proposed adoption, amendment, suspension or repeal of any rule, regulation or guideline necessary to the timely implementation of this act are directed and authorized.
19 August 1988

Mr. Tom Bauer
S.D. SCOTT PRINTING COMPANY, INC.
145 Hudson Street
New York, New York 10013

Re: 1988 Annual Report

Dear Mr. Bauer:

This letter is to authorize S.D. Scott to print the 1988 Annual Report of the Municipal Assistance Corporation.

The base price will be $46,790 for 44,000 copies, in accordance with your price quotation (copy attached), plus $1,550 for 44,000 printed #11 envelopes.

Production will be supervised by Ralph J. Kellner and Larry Osburn of Kellner & Osburn Associates, Inc., our graphic design consultants.

We look forward to a quality printing job.

Sincerely,

[Signature]

Quentin B. Spector
Deputy Executive Director
and Treasurer

cc: Kellner & Osburn Associates, Inc.

Attachment

vsj:304
Mr. Larry Osburn  
Kellner and Osburn  
18 Eighth Avenue  
Brooklyn, NY 11217

WE ARE PLEASED TO SUBMIT OUR QUOTATION FOR THE FOLLOWING:

<table>
<thead>
<tr>
<th>TITLE</th>
<th>NUMBER OF PAGES</th>
<th>SIZE</th>
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<tr>
<td>MAC Annual Report</td>
<td>60 page + cover</td>
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<table>
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<tr>
<th>COVER STOCK</th>
<th>ARTWORK</th>
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<th>BINDERY &amp; FINISHING</th>
<th>PACKING &amp; SHIPPING</th>
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<td>Band and pack in cartons FOB plant.</td>
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<td>and cover 3 blueprints</td>
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COLORS: Process + PMS

PMS tan used for bonds background, grey bonds from tint of black.

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<td>$46,790</td>
<td>24# White Wove Envelope black corner copy $1,550</td>
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</tbody>
</table>

Subject to examination of final art and mechanicals

We thank you for the opportunity to submit this estimate and hope we may be of service to you.

S.D. SCOTT PRINTING CO., Inc.  
Tom Bauer  
DATE 8/11/88

PLEASE SIGN ONE COPY OF THIS FORM AND RETURN IT TO US OR SEND YOUR PURCHASE ORDER TO AUTHORIZE US TO BEGIN THIS JOB. PLEASE NOTE THAT ALL WORK IS ACCEPTED SUBJECT TO THE TRADE CUSTOMS SHOWN ON REVERSE SIDE.
CERTIFICATE RELATING TO
THE SERIES 1-4 AND SERIES 38 TRUST FUND

I, Quentin B. Spector, Treasurer of the Municipal Assistance Corporation for the City of New York (the "Corporation"), HEREBY CERTIFY as follows:

1. Reference is made to the Series 50 Resolution Authorizing $226,880,000 Series 50 Bonds, Adopted April 27, 1984, as amended, of the Corporation (the "Series Resolution"), and the Order As To Deposit and Investment of Series 50 Bonds Proceeds and Irrevocable Instructions To The Trustee As To The Establishment of Series 1-4 and 38 Trust Fund (the "Trust Fund") and Application of Amounts Deposited Therein of the Corporation dated May 21, 1984 (the "Order"), both such documents being attached to the Record of Proceedings for the Series 50 Bonds as documents number 6 and 27, respectively.

2. Section 304(2) of the Series Resolution authorizes you, and the Order instructs you, upon direction in a certificate of an Authorized Officer of the Corporation stating that monies on deposit in the Trust Fund are not then needed to pay interest on or redemption price of the Series 1-4 or the Series 38 Bonds of the Corporation, to reinvest such monies in direct obligations of the United States of America for the purpose of the payment of interest on or redemption price of the Series 1-4 or the Series
38 Bonds and in a manner so as not to cause the Series 50 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended.

3. On November 15, 1987, certain investments in the Trust Fund will mature in the amount of $5,775,934.00 (the "Principal Payment").

4. The Principal Payment is not needed on the date hereof for the payment of interest on or principal or redemption price of the Series 1-4 Bonds or the Series 38 Bonds of the Corporation.

5. The Corporation instructs you to purchase United States Treasury Notes on November 16, 1987 in the amount of $5,600,000 maturing December 31, 1987 with a coupon of 7.875% and yielding 6.147% with $5,777,073.37 of such Principal Payment (the "New Investment") and other monies available in the Fund.

6. The New Investment meets all the requirements set forth in Section 304(2) of the Series Resolution and the Order for the reinvestment of monies in the Trust Fund.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of November 1987.

[Signature]
Quentin B. Spector
Treasurer

bba:123
CERTIFICATE RELATING TO
THE SERIES 1-4 AND SERIES 38 TRUST FUND

I, Quentin B. Spector, Treasurer of the Municipal Assistance Corporation For The City of New York (the "Corporation"), HEREBY CERTIFY as follows:

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38 Bonds and in a manner so as not to cause the Series 50 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended.

3. On December 31, 1987, certain investments in the Trust Fund will mature and pay interest in the amount of $5,898,453.12 (the "Principal and Interest Payment").

4. The Corporation instructs you to retain $5,775,946.56 of such Principal and Interest Payment in the fund for the debt service payment due on January 1, 1988. The Corporation also instructs you to purchase United States Treasury Notes on December 31, 1987 in the amount of $125,000 maturing June 30, 1988 with a coupon of 7.00% and yielding 6.742% with $125,156.25 of such Principal Payment (the "New Investment") and other monies available in the Fund.

5. The New Investment meets all the requirements set forth in Section 304(2) of the Series Resolution and the Order for the reinvestment of monies in the Trust Fund.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of December 1987.

Quentin B. Spector
Treasurer

bba:123
16 August 1988

Mrs. Margaret Al Akł
Post Office Box 224
Garden City, New York 11530

Re: Redemption of 1976 Series CC Bonds

Dear Mrs. Al Akł:

Your letter of August 4, 1988 to Felix Rohatyn concerning the February 1, 1988 redemption of your 1976 Series CC Bond has been brought to my attention.

While we appreciate the expression of your concerns, the Corporation is unable to compensate you for your loss of interest. Notification of redemption prior to maturity of the 1976 Series CC Bonds is governed by the Corporation's General Bond Resolution dated July 2, 1975, and the 1976 Series CC Resolution, pursuant to which the 1976 Series CC Bonds were issued. In accordance with the procedures outlined in these resolutions, United States Trust Company of New York, as Trustee, printed a timely notice of redemption in The Wall Street Journal in two successive weeks and sent a copy of such notice to all registered holders of 1976 Series CC Bonds, of which you were one. This notice expressly stated, in bold print at the beginning, that all outstanding 1976 Series CC Bonds were to be redeemed on February 1, 1988, pursuant to one of the two types of redemptions stated in the notice.

Pursuant to the 1976 Series CC Resolution and as printed on the face of each bond, the 1976 Series CC Bonds were subject to two types of redemptions prior to maturity: mandatory sinking fund redemptions, at 100% of the principal amount, plus accrued interest, on February 1 in each of the years 1984 through 1993, and redemption at the option of the Corporation, beginning in 1982, at a declining scale of redemption prices. The numbers of those 1976 Series CC Bonds called for the February 1, 1988 mandatory sinking fund redemption were listed on the redemption notice. Because registered bonds may be held in any multiple of $5000, the heading "...Called In Part..." refers to those registered bonds held in face amounts greater than $5000 where less than the full face amount of the bonds was subject to the mandatory call.
The remaining 1976 Series CC Bonds were called for redemption at the option of the Corporation at a price of 101% of the principal amount, plus accrued interest. No list of specific bond numbers was required for the optional call because all outstanding 1976 Series CC Bonds not subject to the mandatory sinking fund redemption were subject to the redemption at the Corporation's election. This information was clearly set forth on the notice sent to you.

Because the number of your 1976 Series CC Bond was not listed on the notice sent to you, it was subject to the optional redemption. Interest ceased to accrue on all 1976 Series CC Bonds subsequent to February 1, 1988.

In response to our inquiry regarding the payment of your 1976 Series CC Bond, United States Trust Company has informed us that a check for the $25,000 principal amount, plus the optional redemption premium and accrued interest to February 1, 1988, was negotiated by you on August 8, 1988. Since we have provided the requisite notice to all registered bondholders and have acted in complete fulfillment of the Corporation's legal obligations to the 1976 Series CC bondholders, we believe that we have already satisfied all our obligations to you.

I hope that I have satisfactorily addressed your concerns.

Sincerely,

[Signature]

Steven Markbreiter
Assistant Counsel
Dear Chairman Rohatyn:

I have purchased many MAC bonds and until 2/88 I've never had problems understanding when a bond is called. I received a printout for my $25,000 MAC bond 2624 which I consider misleading. Because of the confused way it is written, I telephoned US Trust and the lady assured me that if my bond number was not listed, my bond was not called. I imagine my shock when I received a personal certified letter on July 27, 1988 telling me the bond had been called in February.

I personally rushed to Manhattan on 7/28/88 to deliver the bond and to learn why I did not understand my bond had been called. I requested my interest of $1281.25 in a letter to US Trust, which I understand was refused. As of 8/4/88 I still have not received the principal of $25,000.

I am very discouraged because on rereading the original notice printout, I find it misleading. Nowhere does it clearly state "ALL CCR Bonds have been called" (as on opposite page it states "ALL #44 Bonds called in Full.")

As I wrote on page 2 of the enclosed letter the headings "Registered Bonds CALLED IN PART bearing the prefix CCR - did not list my number. Called in Part means not all bonds have been called."
Next it stated "Registered Bonds called in Full, bearing the prefix or listed numbers, but did not include my number. Only numbered ones were called. Furthermore I sought clarification from the test estate and apparently the lady also did not understand the numbers or the call provisions. Hence, I am penalized for mistaking form.

I am a professional person and now that I must interpret procedures so that a person can serve understands them. Not all purchasers of bonds understand Fiduciary Terms. Many refuse to buy them because they don't understand. Terms must be clear to a lay person just as a chemical or medical terms must be to a patient.

I also question why the print on the bonds and the papers accompanying the bonds are not dark and large enough to read in addition to being understood by lay persons, who purchase them.

I would never have kept my bond had I understood it was called.

I am requesting my interest of $1,281.25 on the basis that the form was not clear, and listing numbers and terms "in past" augmented the problem. I do not believe it was my fault I lost the interest. I also believe that my phone
call to us trust to learn what this notice meant, was responded to my disadvantage.

Thank you for your attention to this matter.

Sincerely,

[Signature]

Marjorie Alcorn
POB 224
Garden City, New York
11530
Dear Mr. ThomasKauser:

In February 1988 I received a printed sheet listing numbered CER Registered MAC Bonds "called IN PART" for redemption, and my number CER 2624 was not listed.

Because I had two prior calls each for $5,000 of my original $35,000 MAC bond, and because the bond had a possible call feature for 1988, I telephoned the US Trust, as I did on the two prior occasions. The call was made when I received the printout. She lady, who answered, assured me that if my bond number was not specifically listed, my bond was not called.

On July 27, 1988 I received my first personal notice via certified return receipt that my bond had been called in February 1988. She letter addressed me both as MARGARET AL AKL and 10FAR MY AKL. It was dated 7/21/88.

I immediately telephoned a toll free number provided, and I spoke to a Ms. Jane Riley, of customer service.

In the AM of July 28, 1988 I personally delivered my bond to the US Trust Dept. and was told that the principal would be mailed to me and I could not receive it at that time I delivered it.
Ms. Riley explained to me both on the phone and in person that a buyer of municipal bonds should be knowledgeable about all the terms applicable to the bonds or not buy them. I consider myself an intelligent person, with graduate degrees in two professions. I never received a dictionary of terms applicable to the bonds when I purchased them. Moreover, I never received such definitions from MAC, US Trust or MHT from whom I purchased the bond. If this is a prerequisite to purchase bonds, a list of applicable terms should be defined and accompany each bond purchased. It should be in readable sized print and in language understandable to laymen, who are not fiduciary experts. Since there was no list of definitions or warnings accompanying each bond, Ms. Riley’s reasoning for my needing knowledge of terms used for “called in part” “optional redemption”, etc., can not apply in my case.

The check mailed to me in February 1988 is misleading and easily misinterpreted.

"Registered Bonds called in PART bearing the prefix OCR (my number was not listed)"

"Registered Bonds called in Full bearing the prefix OCR did not include my number in the listing below this heading"
Optional Redemption was interpreted by me as my option to redeem at 101 or keep the bond till future calls or maturity. Why would I keep a bond which has stopped paying interest?

On the opposite side of the sheet, the preheading stated "coupon bonds bearing the prefix H H called in full. Why wasn't the heading CCP Registered Bonds called in full? Why not delete the misleading list of numbers or list every number? Why wasn't my number on any list?

I am requesting interest of $1218.25 due me. I was personally notified that the bond was redeemed on July 27, 1988. Your staff person gave me erroneous information when I telephoned US trust in February. The number of my bond was not listed. No where is the admonition that as a purchaser of bonds I am required to understand fiduciary terminology which is subject to many interpretations written as it is.

Margaret A. AKL
POB 224
Garden City, New York 11530
30/3
August 4, 1988

Margaret Al Aki
P. O. Box 224
Garden City, N.Y. 11530

Re: Municipal Assistance Corporation for The City of New York Ser. CC Interest on Interest,
Ref #0801880015c.

Dear Ms. Al Aki:

In response to your letter 7/29/88 concerning the above referenced bond, please be advised that the Municipal Assistance Corporation for The City of New York called in for redemption all outstanding 10 1/4% 1976 Series CC bonds.

As the enclosed Notice of Redemption states, under the "Optional Redemption" section of the series resolution, any remaining bond numbers which were not listed on the redemption notice were, in fact, called in full at a premium price of 101%. This redemption was at the option of Municipal Assistance Corporation to exercise, not that of the bondholder.

We are sorry that you misinterpreted the original notice that was sent to you, however, U. S. Trust did duly follow the redemption resolution and its provisions. We even went further by trying to contact you by telephone (number is unlisted) and by registered mailing which eventually culminated in your presentation of the called bond.

For the reasons stated we are unable to honor your claim for loss of interest on principal.

Any further questions may be directed to 1 (800) - 225-2398.

Sincerely,

[Signature]

Thomas J. Fuller
Customer Service Representative
11 August 1988

Mr. Pat Santivasci
Vice President
United States Trust Company
of New York
45 Wall Street
New York, N.Y. 10005

Dear Pat:

I am pleased to inform you that the Board of Directors, at its meeting on July 28, 1988, approved adjustments in the fee schedule for services provided by the United States Trust Company to the Municipal Assistance Corporation, in accordance with the proposal which you and I had previously negotiated. That proposal was reflected in your letter of July 25, 1988.

Effective July 12, 1988, the Trust Company's maximum annual administrative fee is increased from $165,000 to $190,000. In addition, your fee for initial issuance of new series of securities is reduced from $40 per $1 million to $25 per $1 million. All the other fee categories remain unchanged. This amended fee schedule will not be reviewed again for a two-year period through July 11, 1990.

I and my colleagues continue to appreciate the excellent working relationship we enjoy with you and your staff.

Sincerely,

[Signature]

Stephen J. Weinstein
Executive Director

aa:202
July 25, 1988

Mr. Stephen J. Weinstein
Executive Director
Municipal Assistance Corporation
For The City of New York
One World Trade Center
Suite 8901
New York, NY 10048

Dear Steve:

This letter is intended to be a follow-up of our meeting of July 21, regarding fees charged by the United States Trust Company of New York, as Trustee to the corporation.

Below are the areas for which decisions were made at said meeting:

- Maximum annual fee be increased to $190,000
- Initial fee be reduced to $25 per million
- All other incremental charges remain in effect as quoted for the period July 12, 1988 through July 11, 1990

We look forward to continuing our fine working relationship with you and other members of your staff.

Sincerely,

(Signature)

PS/mc
The following reports and presentations are to be completed by the dates and sent to the offices listed below:

This schedule summarizes the myriad of current reporting requirements imposed on the Corporation by various State statutes and regulations.

For:
State Report
State Controller
To: Superintendent, Finance Division
Date: 10 August 1988
8 August 1988

Mr. Thomas F. Donovan
General Manager
Development and Rentals Division
The World Trade Center
One World Trade Center/Suite 63S
New York, N.Y. 10048

Re: Renewal of Lease No. WT-2090-A-89(1379)

Dear Mr. Donovan:

I am enclosing copies of your letter dated April 18, 1988, which I have signed on behalf of the Municipal Assistance Corporation, in accordance with authorization of our Board of Directors. That letter sets the basic terms to extend our lease for Suite 8901, One World Trade Center, for the six calendar years 1989 through 1994.

The executed copies include marked changes for: (1) the rental rate and charge for the first two years, under "Rental"; (2) the times of the Corporation's termination right, under "Other Conditions"; and (3) the amounts of the consideration for such cancellation, also under "Other Conditions". These modifications represent the conclusion of discussions between Mr. Quentin B. Spector of our office and Mr. Arthur J. Cella of your office.

Please initial the marked changes and return one of the enclosed copies to me for our records. Please prepare the lease documents for our review and execution.

We very much appreciate the courtesy and cooperation which you have extended to us in the course of this negotiation. We look forward to our continued tenancy.

Sincerely,

Stephen J. Weinstein
Executive Director

cc: Mr. Arthur J. Cella
    Mr. Quentin B. Spector

Enclosures

aa:202
April 18, 1988

Mr. Stephen J. Weinstein
Executive Director
Municipal Assistance Corporation
One World Trade Center - Suite 8901
New York, NY 10048

RE: WORLD TRADE CENTER LEASE NO. WT-2090-A-89 (1379)
RENEWAL PROPOSAL

Dear Mr. Weinstein:

It was a pleasure meeting with both you and Mr. Spector to discuss the renewal of the above mentioned lease which expires on December 31, 1988.

Based on our discussion, I am now prepared to make the following proposal for a six (6) year extension of M.A.C.'s lease in accordance with the following:

AREA:

6,724 rentable square feet on the 89th Floor of One World Trade Center.

TERM:

Six (6) years - commencing on January 1, 1989 and expiring on December 31, 1994.

RENTAL:

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<th>Period (years)</th>
<th>Rent Per S.F.</th>
<th>Annually</th>
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ESCALATION:

The above rental rates shall be subject to escalation increases which shall be applied at the rate of $0.01 for every $0.01 increase in the Local 32B Porters' Hourly Wage Rate (including fringes) in effect on January 1, 1989.

TAX BASE:

Rate in effect for the 1988-1989 tax year (as yet not established).

CLEANING:

Lessee to pay for full cleaning services.

ELECTRICITY:

Lessee to pay for all electricity as measured by electrical survey.

INSURANCE:

Limits to be increased to $2,000,000 combined coverage.
April 18, 1988

Mr. Stephen J. Weinstein
Executive Director
Municipal Assistance Corporation
One World Trade Center - Suite 8901
New York, NY 10048

RE: WORLD TRADE CENTER LEASE NO. WT-2090-A-89 (1379)
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<td>3 - 4</td>
<td>$40</td>
<td>$268,968</td>
</tr>
<tr>
<td>5 - 6</td>
<td>$42</td>
<td>$282,408</td>
</tr>
</tbody>
</table>

ESCALATION: The above rental rates shall be subject to
escalation increases which shall be applied at the
rate of $0.01 for every $0.01 increase in the
Local 32B Porters' Hourly Wage Rate (including
fringes) in effect on January 1, 1989.

TAX BASE: Rate in effect for the 1988-1989 tax year
(as yet not established).

CLEANING: Lessee to pay for full cleaning services.

ELECTRICITY: Lessee to pay for all electricity as measured by
electrical survey.

INSURANCE: Limits to be increased to $2,000,000 combined
coverage.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Audit Committee Minutes

August 11, 1988

A meeting of the Audit Committee of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held August 11, 1988 at 3:00 P.M. at the offices of Price Waterhouse, 153 East 53rd Street, New York City.

The following members of the Committee were present:

Andrew P. Steffan, Chairman
Kenneth J. Bialkin

The following members of the staff were present:

Stephen J. Weinstein
Quentin B. Spector
Maxine H. Gillman

The following representatives of Price Waterhouse were present:

Joseph J. Rigney
Colm A. Keogh

Mr. Weinstein stated that the purpose of the meeting was to clarify the nature of an adjustment to the Corporation's annual Financial Statements to correct an error in the draft that had been submitted to the Audit Committee on August 3, 1988. He indicated that he had informed the Committee of this adjustment prior to the meeting.
for the year ended June 30, 1988, after reviewing the statements and related discussions with Price Waterhouse.

Mr. Weinstein indicated that the omission had been identified by the Corporation's Treasurer and communicated to Price Waterhouse subsequent to the meeting of August 3, 1988. This discovery occurred, he explained, in the course of a subsequent review of the Financial Statements by the Treasurer who through his familiarity with the Corporation's activities had noticed that the transfers were lower than he expected.

Mr. Weinstein and Mr. Spector stated that, through their discussions with staff and Price Waterhouse, they could assure the Committee that the internal accounting controls, accounting systems and procedures that had been in place were sufficient to correctly record and report the Corporation's financial position and transactions. They further stated that the report preparation and accounting modifications to be implemented should prevent a recurrence.

Mr. Rigney affirmed his discussions with Mr. Weinstein and Mr. Spector, and said that he was satisfied that the Financial Statements fairly presented the Financial Position of the Corporation at June 30, 1988, and its transactions for its 1988 fiscal year. He also indicated that he had
conducted a thorough review of the firm's audit approach and results of the 1988 audit to support the above opinion. Mr. Rigney pointed out that the level of detail of the data presented in the Corporation's report format was greater for the Transactions Statement than for the Statement of Financial Position, the former including a breakdown of all separate funds and the latter aggregating certain related liabilities of funds for presentation purposes. He explained that, by reconciling the transaction statement to the Statement of Financial Position on an aggregate basis rather than a fund-by-fund basis, the missing transfers were not detected. On the Statement of Transactions the twin omissions of the withdrawal of securities from the Second Capital Reserve Fund and their deposit into the Debt Service Fund had the effect of canceling out each other mathematically.

Mr. Bialkin expressed concern that the omission of certain transactions for the year had not been readily discovered, since the presentation of the Corporation's financial position at the end of fiscal 1988 and at the end of fiscal 1987 could not be reconciled if the Statement of Transactions for the interim period was incorrect or incomplete.
Mr. Rigney responded that if the Statement of Financial Position reported all assets and liabilities on the same discrete fund basis as the transaction statement, such an inconsistency would indeed be evident. However, he stated, the reconciliation of fund balances had been undertaken by Price Waterhouse only on an aggregate basis, a procedure which did not detect the inter-fund transfer of securities. As a result, he said, only a knowledgeable official of the Corporation more familiar with the underlying transactions could have detected the presentation omission in the Transactions Statement.

Mr. Bialkin asked if the failure was in the audit plan or in the execution of the audit plan. Mr. Rigney responded that he was satisfied with the audit plan but that the execution of the plan should have considered the reconciliation of the Debt Service and Capital Reserve Funds on an individual fund basis rather than in the aggregate. He also assured the Committee that Price Waterhouse would in future periods reconcile transactions and balance sheet items on a fund-by-fund basis.

Mr. Weinstein indicated that the staff and Price Waterhouse had agreed on procedural changes to prevent a recurrence. He added that certain adjustments would be made to the format of the Corporation's underlying books and records used in the preparation of the Financial
Statements and that meetings would be held between Management and Price Waterhouse in the future for the specific purpose of a final review of the Financial Statements prior to submission to the Audit Committee.

Mr. Bialkin asked the legal significance of the distinctions between the funds involved. Mr. Weinstein replied that statutes and indentures provided different revenues, payment dates and certain other covenanted restrictions for bonds of the First and Second General Bond Resolutions, and that the Corporation has reflected these legal distinctions by reporting First and Second General Bond Resolution fund accounts separately in its financial statements. Moreover, he added, the legal distinctions between capital reserve and debt service monies, also provided in the statutes and indenture, were reflected by recording these funds separately.

Mr. Steffan and Mr. Bialkin stated that the Corporation's accounting systems, books and controls appeared to be adequate for preparing its periodic financial statements. They requested a memorandum from the staff expressing management views. Mr. Weinstein responded that
he would submit such a memorandum upon the completion of an ongoing review of accounting procedures with the staff and Price Waterhouse.

Mr. Steffan further requested that the staff consider possible revisions in the form of the Corporation's Financial Statements in order to improve presentation. Mr. Weinstein responded that he would report back to the Committee on such an effort at the meeting for the next quarter.

The Committee authorized publication of the amended financial statements.
4 August 1988

Mr. George Gross
Executive Director
Financial Control Board
State of New York
270 Broadway/21st Floor
New York, N.Y. 10007

Dear George:

I am responding to your letter of August 2nd commenting on certain information contained in the Corporation's review of the City's 1989 expense budget and in the Corporation's operating budget for its current fiscal year.

This correspondence is somewhat puzzling to me. It has not been the custom for the independent State agencies with statutory responsibilities for overseeing various aspects of the City's fiscal affairs to write critiques of each other's reports. I remain surprised by your letter.

The Corporation's review of the City's 1989 budget was submitted to the Governor and the Mayor and released to the public after the meeting of our Board of Directors on July 28, 1988. We believe that it constitutes a fair presentation of facts and figures and communicates important observations central to the City's financial condition.

Your letter also cites an inaccuracy in the amount shown for your agency in our current operating budget. Such a figure is necessarily included in the Corporation's budget because we continue to pay for the operations of the Financial Control Board. The figure of $1.976 million for your agency is that furnished us by your staff at the time we were formulating our budget, consistent with established practice throughout the years. From your letter it appears that, at some time subsequently, reductions were imposed by the State Budget Division to bring the total down to $1.913 million.
Mr. George Gross  
4 August 1988  
Page 2

However, since no one from your staff ever so informed us, it was not possible to reduce our budgeted amount accordingly. At least in this instance of a downward revision, the number included in the Corporation's approved operating budget for the Control Board is more than sufficient to cover your planned expenditures for the year.

In closing, I would like to assure you that I and my colleagues are always available to discuss any matter of common concern. I would also like to encourage you and your staff to feel free to call us at any time in order to facilitate an appropriate interchange of views.

Sincerely,

[Signature]  
Stephen J. Weinstein  
Executive Director

cc: Mr. Felix G. Rohatyn, Chairman of the Board  
Dr. Dick Netzer, Chairman, City Budget Committee  
Dr. Robert C. Weaver, Chairman, Administration Committee

aa: 202
August 3, 1988

To the Board of Directors of
Municipal Assistance Corporation
for the City of New York

We have examined the Statement of Financial Position, Statement of Changes in Funds Available to Purchase City of New York Obligations, Summary of Changes in Funding Requirement and the related Debt Service, Capital Reserve and Guaranty Funds and Operating Fund Statements of Transactions of Municipal Assistance Corporation for the City of New York (the "Corporation") as of June 30, 1988 and for the year then ended and have issued our report thereon dated August 3, 1988. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Solely to assist us in planning and performing our examination, we also made a study and evaluation of the Corporation's system of internal accounting control. Our study and evaluation was limited to a preliminary review of the accounting system to obtain an understanding of the control environment and the flow of transactions through the system. Because it was more efficient to expand substantive tests and place little reliance on controls, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control. However, we found no condition which we believe to be a material weakness.

The management of the Corporation is responsible for compliance with the Corporation's Investment Guidelines and other appropriate compliance requirements. In connection with the examination referred to in the first paragraph, we
performed, for selected investment transactions, the follow-
ing procedures relative to the Corporation's compliance with
its Investment Guidelines, as amended through September 11,
1986:

(a) Traced brokers used for the purchase or sale of invest-
ments from broker confirmations and noted their inclusion
in the Corporation's "Valid Dealer List."

(b) Traced details of investments purchased from the Corpo-
ration's investment transactions' listing and compared
these investments to the permitted obligations as set out
in Section II of the Corporation's Investment Guidelines,
as amended through September 11, 1986.

(c) Traced pertinent information from the Corporation's
investment transactions' listing and agreed this informa-
tion to statements of transactions of the U.S. Trust
Company, the Corporation's custodian and trustee.

(d) Agreed the principal and par amounts for investments held
and June 30, 1988 to U.S. Trust Company property
statements at the respective dates.

(e) Obtained the Corporation's investment transactions' list-
ing and reviewed the listing for evidence of proper
authorization and approval.

(f) Traced pertinent information from the Corporation's
investment transactions' listing and agreed to confirma-
tions received from brokers.
August 3, 1988
To the Board of Directors of
Municipal Assistance Corporation
for the City of New York
Page 3

(g) Obtained the Corporation’s investment transactions’
listing and noted evidence that competitive bids had been
obtained.

(h) Obtained, for investments under repurchase agreements,
details of securities received from the U.S. Trust
Company’s statement of transactions and compared the
value of the securities received and accrued interest
thereon to the principal amount of the repurchase
agreements to ensure the value of the securities received
and accrued interest thereon equaled or exceeded the
principal amounts of the repurchase agreements.

(i) Compared the principal amount of investments under repur-
chase agreements to the Corporation’s dollar limits for
such agreements.

(j) Ascertained, by tracing the maturities for investments
under repurchase agreements from broker confirmations,
that these investments had overnight maturities.

The results of our tests referred to above indicate that for
the transactions and records tested, the Corporation complied
with its Investment Guidelines, as amended through September
11, 1986. With respect to the transactions and records that
were not tested by us, nothing came to our attention that
caused us to believe that the Corporation had not complied
with its Investment Guidelines, as amended through September
11, 1986.

At management’s request, we read the Corporation’s Investment
Guidelines, as amended through September 11, 1986 and com-
pared them with the Investment Guidelines for Public
Authorities issued by the Office of the State Comptroller,
State of New York, as amended through July 24, 1987 and noted
certain exceptions which are set out in Attachment A.
August 3, 1988
To the Board of Directors of Municipal Assistance Corporation for the City of New York
Page 4

This report is intended solely for the use of management and the Office of the State Comptroller, State of New York and should not be used for any other purpose.

[Signature]

Brian Watersman
1. The Corporation's Investment Guidelines do not require the development of a detailed operating procedures manual, however; the Corporation has developed such a manual. The existing operating procedures manual does not fully document the Corporation's system of internal accounting controls or requirements for periodic reporting and levels of accountability. Requirements for reporting to the Board of Directors and various New York State offices are set out in the Corporation's Investment Guidelines.

2. For investment transactions, other than investments under repurchase agreements, dollar limits have not been established for all dealers with whom the Corporation conducts business.

3. Dollar limits for the total permitted investment under repurchase agreements have been established by the Corporation; however, dollar limits for the individual firms with whom the Corporation invests have not been established.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Audit Committee Minutes

August 3, 1988

A meeting of the Audit Committee of the Board of
Directors of the Municipal Assistance Corporation for the City
of New York was held August 3, 1988 at 11:00 A.M. at the
offices of Price Waterhouse, 153 East 53rd Street, New York
City.

The following members of the Committee were present:

Andrew P. Steffan, Chairman
Kenneth J. Bialkin

The following members of the staff were present:

Stephen J. Weinstein
Quentin B. Spector
Maxine H. Gillman
Frances N. Higgins
Beatrice L. Gilling Raynor

The following representatives of Price Waterhouse were
present:

Joseph J. Rigney
Colm A. Keogh

The minutes of the last Audit Committee meeting held
May 2, 1988 were approved.

Mrs. Raynor presented the financial statements for the
fiscal year ended June 30, 1988. She stated that they were
consistent with the progression of the unaudited quarterly
financial statements prepared during the year. She noted that
an entry regarding the Guaranty Fund and the Statement of
Changes in Funds Available to Purchase City of New York
Obligations, both of which had been phased out in
Chairman
Mario M. Cuomo, Governor

Board Members
Edward V. Regan
Comptroller
Edward I. Koch
Mayor, City of New York
Harrison J. Goldin
Comptroller, City of New York
Donald D. Kummerfeld
Heather L. Ruth
Stanley S. Shuman

August 2, 1988

Mr. Stephen J. Weinstein
Executive Director
Municipal Assistance Corporation
One World Trade Center
Suite 8901
New York, NY 10048

Dear Steve,

The MAC annual review of the City's FY 1989 budget, dated July 28, contains several inaccuracies that I want to call to your attention.

Page 1, paragraph 1. The statement asserts that during the six-year period extending through FY 1987, the strong business expansion "contributed to robust City revenue collections exceeding expectations in each of those years", and that over the same period the budget grew by over 50 percent, or more than $7 billion.

In fact, revenue collections did not exceed expectations every year: in FY 1986 non-property tax revenue grew by only 4.4 percent, due to subpar growth in personal income, causing a major shortfall. During the six years referred to (FYS 1982-1987), the budget grew by $6.3 billion, or 42 percent.

Page 2, first full sentence. The statement asserts that for FY 1989 City revenue growth is projected to be more in line with the moderate level of the past year than with the much more expansive collection experience of past years.

The City's FY 1989 tax projections reflect a growth rate for non-property taxes of about 9 percent. Such an increase is not moderate: in fact, it is slightly above the average growth rate for such taxes during FYS 1981-1988. Given the slowdown in the
City's economy, due in large part to the contraction of the securities industry, the tax revenue projection is hardly conservative. This point is noted in our recent report on the City's Financial Plan, issued July 14.

Page 3, first paragraph. The statement asserts that FY 1989 expenditures are budgeted to increase 9.3 percent over FY 1988 and that FY 1988 expenditures increased 4.4 percent over FY 1987.

The correct figures are as follows: FY 1988 expenditures increased 6.2 percent over FY 1987; FY 1989 expenditures will increase 8.8 percent over FY 1988. These figures take into account technical adjustments and prepayments from surplus rolls that otherwise distort year-to-year growth rates.

Page 6, paragraph 1. The statement asserts that in FY 1989 new water and sewer and dumping fees will bring in $156 million and that new property and energy taxes will generate $221 million. The correct figures are $115 million for new water and sewer and dumping charges and $120 million for new property and energy taxes.

Page 7, second paragraph. The statement asserts that the City's operating budget grew from $14.2 billion in FY 1981 to $21.5 billion in FY 1987. According to the City Comptroller's reports, the correct numbers are $14 billion (actually $13.971 billion) and $21.4 billion (actually $21.382 billion).

Page 8, first paragraph. The statement asserts that FY 1989 spending for sanitation, correction, and hospital services will increase by 13 percent, 18 percent, and 28 percent, respectively, over FY 1988; and that police, fire, and education spending will increase by 6.6 percent, 9.1 percent, and 11.9 percent, respectively, over FY 1988.

The correct figures are as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitation</td>
<td>3.2</td>
</tr>
<tr>
<td>Corrections</td>
<td>8.6</td>
</tr>
<tr>
<td>Hospital subsidy</td>
<td>41.3*</td>
</tr>
<tr>
<td>Police</td>
<td>3.8</td>
</tr>
<tr>
<td>Fire</td>
<td>2.2</td>
</tr>
<tr>
<td>Education</td>
<td>6.7</td>
</tr>
</tbody>
</table>

*The large growth in the subsidy to HHC is due to a very large prepayment in FY 1987, which resulted in a smaller FY 1988 subsidy and, consequently, much larger growth in FY 1989.

Finally, a note on the MAC Administration Committee budget discussion of the PCC. Our FY 1988 budget was $1.900 million (not $1.901 million). Our FY 1989 budget is $1.913 million, not $1.976 million, due to recent adjustments by the Division of the Budget; consequently, FY 1989 growth is only 0.7 percent and not 4 percent. Actual spending in FY 1988 was $1.714 million,
resulting in a savings of $186,000 from our authorized spending plan.

The Administration Committee should also note that our staffing trend continues downward. In July 1986 the Board had 31 authorized positions. Currently, we have an authorized staffing level of 26.

Sincerely,

George Gross
Executive Director

GG:NL
3 August 1988

Price Waterhouse
153 East 53rd Street
New York, New York 10022

Gentlemen:

We confirm, to the best of our knowledge and belief, the following representations made to you during your examination of the financial statements of Municipal Assistance Corporation For The City of New York (the "Corporation") for the year ended June 30, 1988 for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position and transactions of the Corporation in conformity with generally accepted accounting principles.

1. We acknowledge management's responsibility for the fair presentation in the financial statements of financial position, transactions and changes in funds available to purchase City of New York obligations in conformity with generally accepted accounting principles.

2. All minutes of the meetings of directors and committees of directors (whether adopted or in draft form or oral presentations of such meetings in circumstances where written minutes were not yet available) and all financial and accounting records and related data have been made available to you. We are not aware of any accounts, transactions or material agreements not fairly described and properly recorded in the financial and accounting records underlying the financial statements.

3. We are not aware of (a) any irregularities involving management or employees who have significant roles in the system of internal accounting control or any irregularities involving other employees which could have a material effect on the financial statements, or (b) any violations or possible violations of laws or regulations and whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices that could have a material effect on the financial statements. The Corporation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
4. All cash and bank accounts and all other properties and assets of the Corporation of which we are aware are included in the financial statements at June 30, 1988. The Corporation has satisfactory title to all owned assets and all liens, encumbrances or security interests of any important consequence on any asset of the Corporation are disclosed in the statements or notes thereto.

5. All liabilities of the Corporation of which we are aware are included in the financial statements at June 30, 1988. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and must be disclosed in accordance with that Statement.

6. The financial statements and appended notes include all disclosures necessary for a fair presentation of the financial position and transactions of the Corporation in accordance with generally accepted accounting principles, and disclosures otherwise required to be included therein by the laws and regulations to which the Corporation is subject. The following have been properly recorded or disclosed in the financial statements:

   a. Agreements to repurchase assets previously sold.

   b. Related party transactions.

   There are no:

   a. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

   b. Other agreements not in the ordinary course of business.

   c. Oral guarantees made by the Corporation on behalf of an affiliate, director, officer or any other third party.

7. No matters or occurrences have come to our attention up to the present time which would materially affect the financial statements and related disclosures for the year ended June 30, 1988 or, although not affecting
such financial statements or disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or transactions of the Corporation. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

8. Investments in marketable securities held in the Capital Reserve Funds are carried at amortized cost and investments in marketable securities in the Debt Service Funds 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 of New York or the United States of America, repurchase agreements pursuant to master agreements with certain authorized financial institutions and certain obligations of U.S. government agencies. Investments are held by United States Trust Company (the "Trustee") in the name of the Corporation. City of New York obligations are carried at cost.

Investments held in the Capital Reserve Funds are intended to be held until maturity except where their sale falls within parameters established by the Corporation's investment guidelines, as adopted by the Board of Directors and amended from time to time. As such, the Corporation does not expect to realize the unrealized losses of approximately $15.3 million that exist at June 30, 1988.

At June 30, 1988, the First General Bond Resolution Capital Reserve Fund balance was $331.4 million and the Second Capital Reserve Fund balance was $655.5 million net of investment securities purchased payable of $120.0 million. Such levels equalled or exceeded the required funding levels.

9. At June 30, 1988, the Corporation held $1,915.9 million principal amount of The City of New York (the "City") bonds. The City obligations held at June 30, 1988 bear interest at rates ranging from 6.0% to 13.6% and will mature from September 15, 1988 to September 15, 2007.

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.

10. On March 30, 1984, the Corporation entered into an agreement with the State and the City to make available $1.075 billion of revenues to the City of New York through fiscal year 1988. Revenues made available
pursuant to this agreement are determinable at the close of the Corporation's fiscal year. As of June 30, 1988, the Corporation has taken those actions necessary to make such revenues available to the City in accordance with or ahead of the agreed schedule.

On April 2, 1986, the Corporation entered into an agreement with the State and the City to make available $1.6 billion of additional revenues during the 1987 through 1995 fiscal years. These revenues are in addition to those covered by the March 1984 agreement. As of June 30, 1988, the Corporation has made available $438 million of these revenues.

The Corporation has agreed to reimburse the Financial Control Board for the cost of providing certain oversight services of the City's financial affairs.

11. The Corporation's bonds may be refunded in advance of their maturity in accordance with provisions of the First and Second General Bond Resolutions by placing in trust with the Trustee sufficient moneys or certain securities which together with investment income will be sufficient to pay principal and interest when due on the bonds which have been refunded. Although they remain valid debt instruments with regard to principal and interest payable thereon from the moneys or securities placed in trust, advance refunded bonds are deemed to have been paid within the meaning of the First and Second General Bond Resolutions and are therefore no longer presented as liabilities of the Corporation. At June 30, 1988, $3,203.8 million of the Corporation's bonds which have been advance refunded remain valid debt instruments.

The bonds issued for refunding purposes during the year ended June 30, 1988 reduced debt service payments by $57.7 million during the calendar years 1988 through 1997, and increased debt service payments by $38.7 million during calendar years 1998 through 2008, producing present value savings to the Corporation of $25.4 million. The advance refunding program of the Corporation is intended to reduce the level of debt service payments in certain early years, where payments are disproportionately high, while also providing present value savings to the Corporation. The bonds issued for refunding purposes during the year ended June 30, 1987 reduced debt service payments by $610.6 million during the calendar years 1987 through 1996, and increased debt service payments by $884.3 million.
during the calendar years 1997 through 2008, producing present value savings to the Corporation of $115.8 million.

The Corporation issued $79.5 million of Series 63 Second General Resolution Bonds in August 1987. All of the net proceeds were used to advance refund $60.0 million of Series 24 Bonds and $16.8 million of Series 42 Bonds. In February 1988, the Corporation issued $134.5 million of its Series 64 Bonds. The proceeds of this issuance were used to advance refund $125.0 million of Series 23 Bonds.

In March 1988 the Corporation issued $96.9 million of its Series 65 Bonds, the proceeds of which were used to advance refund $90.0 million of Series 19 Bonds.

On July 7, 1988, the Corporation issued $700.6 million of its Series 66 Bonds. The net proceeds of this issuance were used to advance refund the Corporation's Series 11, 12, 13, 20, 21 and 22 Bonds. The financial statements and exhibits do not give effect to this transaction.

12. The assets of the Operating Fund at June 30, 1988 include approximately $1,886,000 of securities purchased under an agreement to resell and approximately $2,164,000 of investments in marketable securities.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Stephen J. Weinstein
Executive Director

Quentin B. Spector
Treasurer and
Deputy Executive Director

Maxine H. Gillman
Counsel
August 3, 1988

To the Board of Directors of
Municipal Assistance Corporation
for the City of New York

We have examined the Statement of Financial Position, Statement of Changes in Funds Available to Purchase City of New York Obligations, Summary of Changes in Funding Requirement and the related Debt Service, Capital Reserve and Guaranty Funds and Operating Fund Statements of Transactions of Municipal Assistance Corporation for the City of New York (the "Corporation") as of June 30, 1988 and for the year then ended and have issued our report thereon dated August 3, 1988. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Solely to assist us in planning and performing our examination, we also made a study and evaluation of the Corporation's system of internal accounting control. Our study and evaluation was limited to a preliminary review of the accounting system to obtain an understanding of the control environment and the flow of transactions through the system. Because it was more efficient to expand substantive tests and place little reliance on controls, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control. However, we found no condition which we believe to be a material weakness.

The management of the Corporation is responsible for compliance with the Corporation's Investment Guidelines and other appropriate compliance requirements. In connection with the examination referred to in the first paragraph, we
August 3, 1988
To the Board of Directors of
Municipal Assistance Corporation
for the City of New York
Page 2

performed, for selected investment transactions, the following procedures relative to the Corporation's compliance with its Investment Guidelines, as amended through September 11, 1986:

(a) Traced brokers used for the purchase or sale of investments from broker confirmations and noted their inclusion in the Corporation's "Valid Dealer List."

(b) Traced details of investments purchased from the Corporation's investment transactions' listing and compared these investments to the permitted obligations as set out in Section II of the Corporation's Investment Guidelines, as amended through September 11, 1986.

(c) Traced pertinent information from the Corporation's investment transactions' listing and agreed this information to statements of transactions of the U.S. Trust Company, the Corporation's custodian and trustee.


(e) Obtained the Corporation's investment transactions' listing and reviewed the listing for evidence of proper authorization and approval.

(f) Traced pertinent information from the Corporation's investment transactions' listing and agreed to confirmations received from brokers.
August 3, 1988
To the Board of Directors of
Municipal Assistance Corporation
for the City of New York
Page 4

This report is intended solely for the use of management and
the Office of the State Comptroller, State of New York and
should not be used for any other purpose.

[Signature]
1. The Corporation's Investment Guidelines do not require the development of a detailed operating procedures manual, however; the Corporation has developed such a manual. The existing operating procedures manual does not fully document the Corporation's system of internal accounting controls or requirements for periodic reporting and levels of accountability. Requirements for reporting to the Board of Directors and various New York State offices are set out in the Corporation's Investment Guidelines.

2. For investment transactions, other than investments under repurchase agreements, dollar limits have not been established for all dealers with whom the Corporation conducts business.

3. Dollar limits for the total permitted investment under repurchase agreements have been established by the Corporation; however, dollar limits for the individual firms with whom the Corporation invests have not been established.
CERTIFICATE RELATING TO
THE SERIES 1-4 AND SERIES 38 TRUST FUND

I, Quentin B. Spector, Treasurer of the Municipal Assistance Corporation for the City of New York (the "Corporation"), HEREBY CERTIFY as follows:

1. Reference is made to the Series 50 Resolution Authorizing $226,880,000 Series 50 Bonds, Adopted April 27, 1984, as amended, of the Corporation (the "Series Resolution"), and the Order As To Deposit and Investment of Series 50 Bonds Proceeds and Irrevocable Instructions To The Trustee As To The Establishment of Series 1-4 and 38 Trust Fund (the "Trust Fund") and Application of Amounts Deposited Therein of the Corporation dated May 21, 1984 (the "Order"), both such documents being attached to the Record of Proceedings for the Series 50 Bonds as documents number 6 and 27, respectively.

2. Section 304(2) of the Series Resolution authorizes you, and the Order instructs you, upon direction in a certificate of an Authorized Officer of the Corporation stating that monies on deposit in the Trust Fund are not then needed to pay interest on or redemption price of the Series 1-4 or the Series 38 Bonds of the Corporation, to reinvest such monies in direct obligations of the United States of America for the purpose of the payment of interest on or redemption price of the Series 1-4 or the Series
38 Bonds and in a manner so as not to cause the Series 50 Bonds to be "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954, as amended.

3. On June 30, 1988, certain investments in the Trust Fund will mature and pay interest in the amount of $10,183,635.62 (the "Principal and Interest Payment").

4. The Corporation instructs you to retain $9,975,822.19 of such Principal and Interest Payment in the fund for the debt service payment due on July 1, 1988. In addition, the Corporation instructs you to transfer $208,000.00 of such Principal and Interest Payment and other monies available in the fund representing interest earned on reinvestments into the Bond Service Fund (the "Transfer").

5. The Transfer meets all the requirements set forth in Section 304(2) of the Series Resolution and the Order for the reinvestment of monies in the Trust Fund.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of August 1988.

Quentin B. Spector
Treasurer
bba:123
8 August 1988

William F. Collins, Esq.
Deputy Commissioner and Counsel
New York State Department
of Taxation and Finance
W.A. Harriman Campus
Albany, New York 12227

Re: Exemption From Sales Tax - Services of Training and Maintaining a Racehorse

Dear Mr. Collins:

This letter will confirm my telephone advice to Bruce Kastor last week.

By letter dated July 20, 1988, you requested the views of the Corporation as to whether enactment of a bill providing, among other things, an exemption from the sales tax imposed under Section 1107 of the Tax Law (the "Section 1107 Tax") for the services of training and maintaining a racehorse (the "Racehorse Exemption"), could constitute an event of default under the Corporation's general bond resolutions.

You state in your letter that this bill would codify what has been the reality of sales tax receipts from such an enterprise resulting from prior Department policy -- since only the remainder of a trainer's receipts over expenses had been taxed, a negligible amount had been collected over the years. Furthermore, assuming taxation based on the gross receipts rather than the net receipts from such services, you estimate the loss of Section 1107 tax revenue from enactment of the Racehorse Exemption to be less than $500,000 annually.

As you know, our general bond resolutions state that an event of default has arisen with respect to the Section 1107 Tax when either of two situations has occurred -- a failure or refusal to continue to impose such tax or a reduction in the rate of such tax from the rate existing on July 2, 1975. Our bond counsel's position is that the State has failed to continue to impose the Section 1107 Tax when such tax is no longer "generally" imposed, and that specific exemptions must be viewed on a cumulative basis. However, neither we at the Corporation nor our bond counsel is the final arbiter as to when an event of default under our resolutions has occurred; short of a court of law, it is the Trustee for the bondholders, and in some cases the bondholders themselves, who make the determination.
Because the Section 1107 Tax is the essence of the security behind the Corporation's bonds, $7.6 billion of which are currently outstanding, and is recognized as such by the market and rating agencies alike, we have zealously protected its integrity from the outset by respectfully requesting that our views be taken into consideration at such time as any legislation affecting either the base or the rate of such tax is under consideration. As you know, we have, from time to time over the years, made formal objections to a wide variety of Section 1107 exemption proposals.

We have reviewed your summary of the Racehorse Exemption and the bill embodying such exemption, and have consulted with our outside counsel. Because the Racehorse Exemption would not significantly alter the amount of sales tax receipts from such an enterprise resulting from prior Department policy and because the estimated Section 1107 revenue loss, even assuming taxation on a gross basis, is de minimis, we do not oppose its enactment.

Thank you for the opportunity to express our views.

Sincerely,

Maxine H. Gillman
Counsel

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