





Wide World Photos

*Pictured above are New York Governor Hugh L. Carey and Municipal Assistance Corporation Chairman Felix G. Rohatyn conferring in Washington before appearing at a Congressional hearing on Federal financial assistance for New York City. The photographs on the following pages depict some of the activities of the Corporation's Board of Directors and Staff in the course of the events described in this report. Pictured in the report are Board Members Francis J. Barry, George M. Brooker, Thomas D. Flynn, George D. Gould, Dick Netzer, Andrew P. Steffan and Robert C. Weaver, in addition to Mr. Rohatyn, and Board Representatives Zane Klein, Edward M. Kresky, Jules V. Lane, Leonard Nadel, Robert W. Seavey and Sanford I. Weill.*

Municipal Assistance Corporation For The City of New York  
Two World Trade Center, New York, N.Y. 10047

September 28, 1978

Honorable Hugh L. Carey, Governor  
State of New York  
Executive Chamber  
Albany, N.Y. 12224

Dear Governor Carey:

I have the pleasure, on behalf of our Board of Directors and our Staff, of transmitting to you the Municipal Assistance Corporation's third annual report.

During this year, the struggle for the continued recovery of New York City continued, unabated, at every level of government. A new City administration negotiated satisfactory labor contracts under the most difficult circumstances. The State Legislature extended the life of the Emergency Financial Control Board and increased MAC's borrowing authority and scope. The Federal government provided the long-term guarantees we had long sought, furnishing the foundation for our four-year financing plan.

The \$4.5 billion plan, which is well on the road to implementation, is probably one of the most complex and largest financing transactions ever undertaken. It required the cooperative efforts of scores of City, State and Federal officials, unions and financial institutions to bring this about. This cooperation has been the basis of MAC's actions for the past three years and is the foundation upon which the City's continued recovery depends.

Upon the completion of this plan, all of the objectives which you set in 1975 should have been achieved: (1) City bankruptcy avoided; (2) All City short-term debt refinanced; (3) The City budget in true balance; and (4) The City financing itself in the public market.

The additional borrowing capacity available to MAC, as well as the flexibility to provide short-term and capital financing, are key parts of the plan. In the last analysis, however, the game will be won or lost by the City's ability to stand on its own feet, balance its own budget, sell its own bonds and turn its economy around. To this end, the firmness of the City's resolve must be unyielding, the vigilance of the Control Board unceasing. The City has made considerable progress; its ability to resist outside spending pressures, however, is still open to question, and for the foreseeable future outside supervision and discipline will still be needed.

In addition, some control and rationalization over future capital spending must be envisaged. The near bankruptcy of New York City was as much due to improvident capital spending as it was to budget gimmickry. The enormous sums the City lost on its Mitchell-Lama middle income housing program had to be made up by reduced services and higher taxes; the municipal hospital system could still bring the City down. Just as the present Control

Board requires the City to submit a four-year financial plan, so a new "Capital Control Board" should require a multi-year capital development plan. Such a board, with a makeup similar to the existing Control Board—dominated by State and City elected officials plus private citizens—should coordinate and have final say over the City's own capital programs and projects, as well as over the capital spending of State agencies within the city.

Over half of the \$4.5 billion to be raised by the four-year plan will be devoted to City capital programs. This money, together with State agency funds for such projects as a new convention center and Westway, is the key to the City's economic future; it must be spent wisely since, assuredly, we will not get another chance. In my judgment, a Capital Control Board answers, in a responsible way, the citizen's justified concern with how his tax dollars are spent without pushing him to the extreme of California's Proposition 13 and the like.

In addition, there are still two major items on our agenda of recovery. The Regional Energy Development Corporation (Encono), introduced in the U.S. Senate, should be pursued vigorously. It would be an important weapon to reduce dependence on imported energy. It could be a building block for economic development.

And last, but far from least, is the issue of funding the local share of welfare. As it becomes increasingly clear that Federal aid to the cities will come under greater pressure as a result of an anti-urban Congress and an Administration anxious to balance its budget, relief from the crushing cost of welfare becomes a sine qua non.

In 1976, President Carter committed himself to two issues vital to our survival—Federal assistance in long-term financing and Federal assumption of the local share of welfare. The President courageously led the fight, against great odds, to achieve the former when conventional wisdom said it was politically impossible. We must now help him do the same with the latter. It is, for us, the next Guadalcanal.

Some day, maybe, a future Chairman of MAC will write his Governor and say: "The job is done." This Chairman of MAC can only say: "The job is doable." This, in itself, is light-years from where we started three years ago in chaos and in darkness. It is due, in no small part, to your courageous leadership.

Respectfully yours,

  
Felix G. Rohatyn  
Chairman

## ANNUAL REPORT FOR 1978

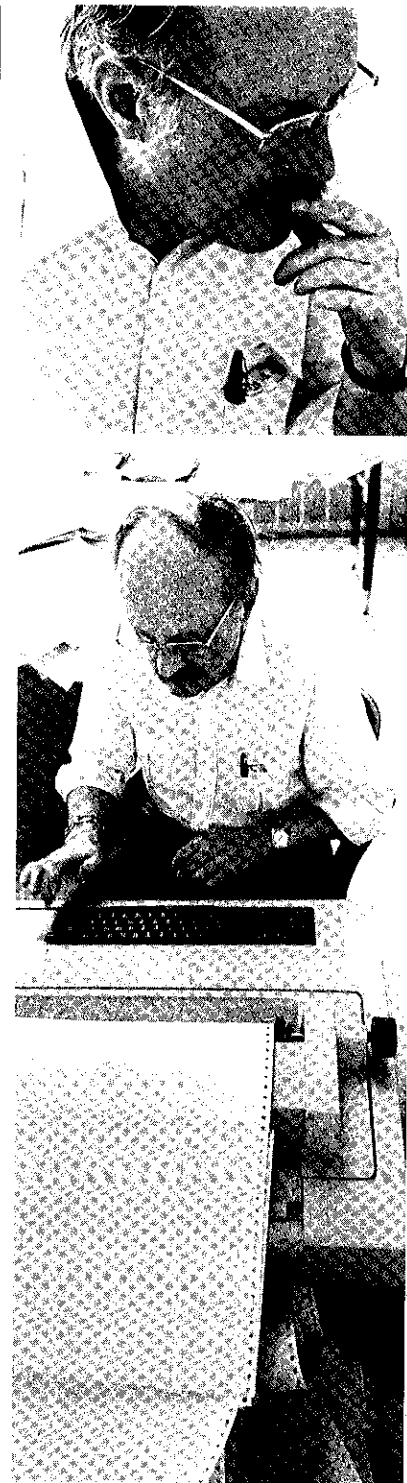


The third year of operation of the Municipal Assistance Corporation commenced with considerable question whether the financing needs of the City of New York could be met in subsequent years, and concluded with the enactment of landmark Federal legislation which would be the key to providing the needed financing. During the intervening months, the Corporation initiated and participated in an uphill but ultimately successful struggle to secure that Federal program.

At the outset of the third year, after implementation of the Corporation's \$2.5 billion restructuring and refinancing in August and September 1977, the Corporation had achieved two of the principal goals set for it by the State Legislature in June 1975—avoidance of a City bankruptcy and disposition of City short-term debt. That restructuring and refinancing, as detailed in the Corporation's Annual Report for 1977, essentially completed the initial phase of the life of the Corporation in dealing with the immediate needs occasioned by the City's fiscal crisis.

However, still unmet was the ultimate goal of the City's re-entry into the credit market. Although the Corporation had been cautiously optimistic in expecting the City to be able to sell modest amounts of new short-term debt to meet a portion of its seasonal financing requirements in fiscal 1978, events proved otherwise. The City was unsuccessful in its effort to market short-term notes in November 1977, after Moody's Investors Service, Inc., issued its lowest investment grade rating for the new notes. That rating was not based upon negative determinations regarding the actual security for payment of the new City notes, but rather upon the underlying problems and the lingering uncertainties relating to the City's fiscal future.

This development made it clear that the Corporation's major efforts during the remainder of its third year would have to be devoted to developing and putting into place, in cooperation with the City and the State, basic new building blocks for the City's financial future, rather than to providing funds for the City during that period. During the balance of the year, in fact, the only financings by the Corporation were: (1) the public sale in December 1977 and issuance in January





1978 of \$250 million of 1978 Series JJ Bonds; and (2) the June 1978 sale to certain of the New York City Pension and Sinking Funds of \$335 million of notes maturing within that month to enable the City to meet its cash needs pending completion of scheduled long-term investments. (See "Information for Bondholders".)

The uncertainty of the City's financial future arose from several factors, the most significant of which were the following:

- Expiration in June 1978 of the New York City Seasonal Financing Act of 1975, which had provided the City with all of its seasonal cash needs for three years through short-term Federal loans of up to \$2.3 billion each year.

- Completion in June 1978 of the final investments pursuant to the agreement of November 1975 under which the City Pension Funds had made commitments to provide a total of \$2.5 billion in loans to the City.

- Termination of Federal statutory permission for the City Pension Funds to invest in securities of the City and the Corporation pursuant to the November 1975 agreement.

- Expiration within the year of the Emergency Financial Control Board established in September 1975 to monitor the fiscal affairs of the City.

- Expiration at the end of the year of the City's existing Financial Plan, which had provided the framework for City budgeting and financing for three years.

- Expiration of major City labor contracts in mid-1978.

- Exhaustion of almost all of the Corporation's statutory borrowing authority of \$5.8 billion, although it had the economic capacity with existing revenues to support an additional \$3 billion of debt.

While all of these problems required resolution in order to develop a comprehensive program to provide for the City's financing needs in the period after June 30, 1978, an intricate process in terms of both substance and timing, the Corporation concluded that the key would be the provision of some form of long-term Federal financial assistance for the City. The Corporation's Chairman, Felix G. Rohatyn, stated in a November 1977 memorandum to Governor Hugh L. Carey:

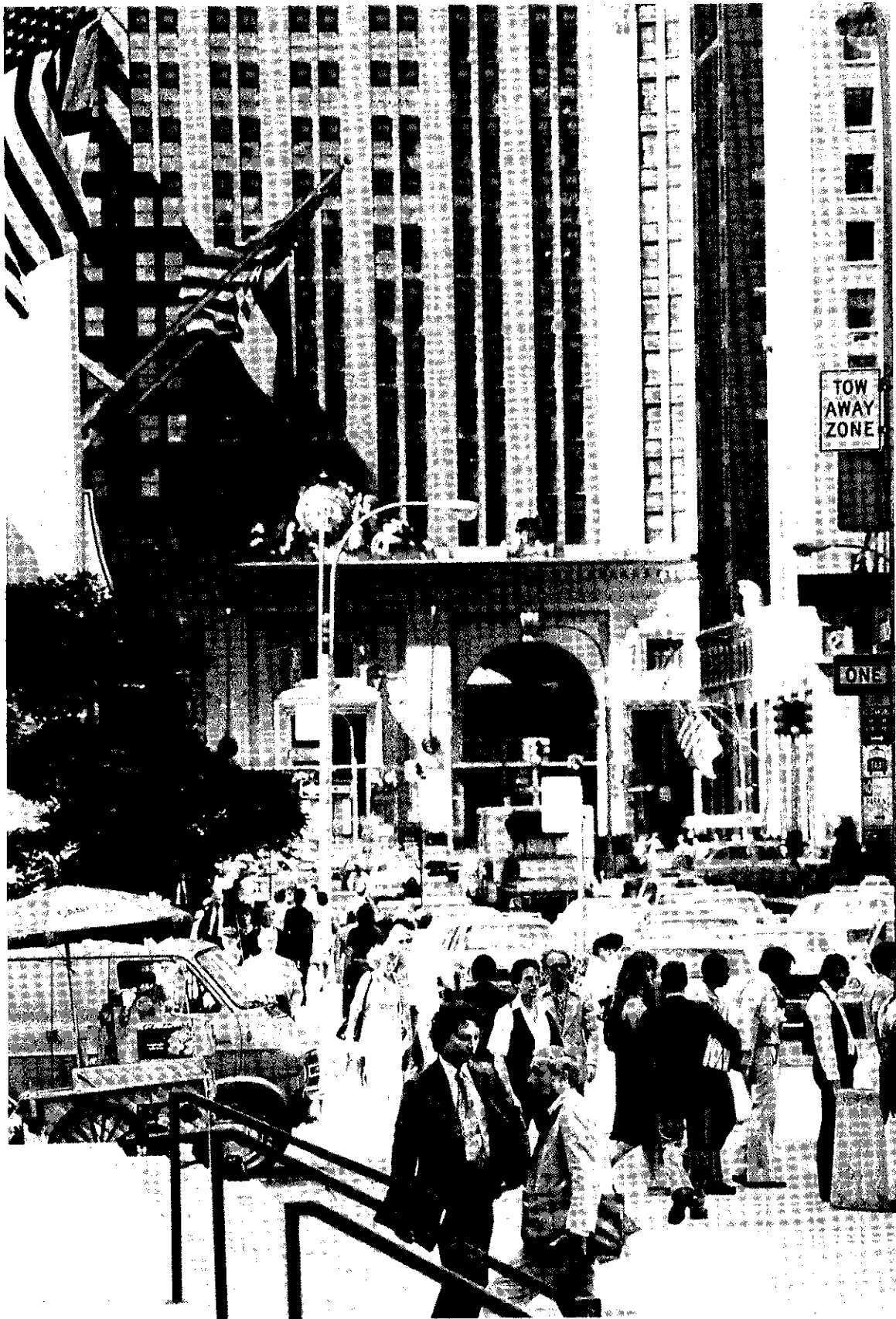
*"Simple extension of the existing Federal Seasonal Loan Program would be the mere application of a band-aid to a continually bleeding wound. It is a bridge to nowhere. However, Federal long-term financing assistance would enable us to complete a series of actions which would make the City financially viable and capable of undertaking more vigorous action for its economic recovery."*

This was a theme which would be repeated and refined by the Corporation throughout the coming months.

The Corporation's initial proposal for long-term Federal assistance built upon a City-forecasted need for approximately \$4.5 billion of long-term financing over a three-year period, to be used principally for capital construction, bonding out the annual State advance to the City and accelerating the removal of expense items from the capital budget. The Corporation's proposal called for providing the funds half by its sale of new bonds to the public and half by its sale of new bonds to the Federal government, both of which would require additional State legislation.

The Chairman elaborated on the underlying rationale for long-term Federal assistance in testimony before the Senate Committee on Banking, Housing and Urban Affairs in December 1977. However, following that hearing, the ranking members of the Senate Banking Committee reacted adversely to the





concept advanced by the Corporation. In a letter sent to the President, they stated that combined public and private resources available in New York City appeared to be sufficient to meet the City's financing needs without Federal aid of any kind.

Later in December, the Corporation modified its proposal for Federal assistance from one calling for direct long-term loans to a program which would provide guarantees for \$2.25 billion of New York City bonds.

Thereafter, the United States Treasury Department requested development of a plan covering budgeting and financing for the City's four fiscal years from 1979 through 1982, to be prepared jointly by the City, the State and the Corporation, and submitted to the Treasury by January 20, 1978. This plan was to be

a prerequisite for development of an Administration proposal to the Congress on financial assistance for New York City.

In early January, the Corporation publicly called upon all of the interested parties, including the City and State and the banks and unions, to work together to develop a financing program, and for those parties to make the maximum possible commitments to contribute to the effectuation of such a plan. While recognizing that events would be further complicated by the transition to a new City administration and by the upcoming City labor talks, the Corporation stressed that without such local cooperation it would be virtually impossible to obtain Federal assistance beyond June, and that without any such assistance the City would face bankruptcy immediately after July 1. The Corporation further indicated that if Federal assistance for only seasonal financing were provided after June 30, 1978, it would be exceedingly difficult to arrange for sufficient long-term financing, and the City would likely face insolvency later in its 1979 fiscal year. However, with long-term financing through Federal loans or guarantees, the Corporation and the City would probably be able to meet the City's short-term cash needs on their own.

The Corporation and the City worked closely together to prepare the Four-Year Financial Plan made public on January 20, 1978. The Plan's financing program incorporated the Corporation's earlier proposal that approximately half of the financing for the years 1979-82 be provided by issuing \$2.25 billion of securities which would be guaranteed by the Federal government and purchased by City and State Pension Funds. The balance would be provided by selling new Corporation bonds to local financial institutions and pension systems, and new Corporation and City bonds to the public over the four-year period.

In February, the Chairman testified on this proposal before the House Banking Committee Subcommittee on Economic Stabilization. He reemphasized the Corporation's position that only some form of long-term Federal assistance would be sufficient truly to resolve the City's credit problem and thereby relieve the Federal government of the need to consider further assistance at some future time.

During this period, lengthy discussions were held among the Corporation, the City and the Treasury with respect to the City's Four-Year Financial Plan and the financing program required to implement it. An important breakthrough came in March, when Treasury Secretary W. Michael Blumenthal presented to the Congress an Administration proposal for Federal guarantees of Municipal Assistance Corporation and City long-term securities. President Jimmy Carter publicly endorsed the proposal and stated that the White House would strongly support it before the Congress.

The Corporation and the City welcomed the Administration's program and support, while urging Congress also to provide some assistance for seasonal financing, at least on a scaled-down or stand-by basis.





The House Subcommittee on Economic Stabilization, under the Chairmanship of Congressman William S. Moorhead, favorably reported legislation in early June to authorize \$2 billion of Federal guarantees for both long-term and seasonal financing, and the full House approved the bill on June 8.

The Senate Banking Committee, after postponing its consideration pending conclusion of the City labor talks, held its hearings in the days immediately following the City labor agreement reached on June 5. The case in support of a Federal guarantee program was presented by Mayor Edward I. Koch for the City, Governor Carey for the State, Secretary Blumenthal for the Administration and representatives of the City's banking and labor communities, along with Mr. Rohatyn for the Corporation. After complex deliberations, the Committee approved legislation authorizing \$1.5 billion of Federal guarantees for long-term financing only, and further differing from the House proposal in myriad terms and conditions. This legislation was passed by the full Senate on June 29, and a House-Senate Conference Committee was established to re-

concile the differences between the programs adopted by each branch of Congress.

At the same time that the Federal legislation was making its way through the Congress in Washington, the Corporation, in close collaboration with the City, the Governor and the Emergency Financial Control Board, was devising and discussing with the staff of the State Legislature in Albany a complex package of legislation to: (1) increase the Corporation's borrowing authority to enable it to implement the four-year financing program; and (2) provide a long-term fiscal monitor for the City after the impending termination of the Control Board. After lengthy negotiations, the State Legislature passed such a bill on May 26, 1978, but conditioned its operation upon the enactment of a Federal guarantee program for the City. Governor Carey signed the bill the following week.

The new State law increased the Corporation's borrowing authority from \$5.8 to \$8.8 billion, extended the period during which it may issue new debt from 1980 to 1982, lengthened the maximum maturity for new debt which it may issue to the year 2008, and empowered the Corporation to finance the City's capital and seasonal needs, the phasing out of expense items from the City's capital budget and the reduction of the annual State advance to the City. The new State law also extended the life of the Emergency Financial Control Board and continued its substantial powers to oversee the City's financial affairs, including approval of City financial plans and borrowings, along with City labor and other major contracts, until such time as the City's expense budget has been balanced for three consecutive years and there are not outstanding any Federal guarantees of City or Corporation obligations. Under the statute, the Control Board will continue to exist even after those conditions are met, but with lesser review powers, until as late as the year 2008. During the entire period to 2008, the oversight powers would be reactivated automatically should specified adverse financial developments for the City occur.

In Washington, the Congressional Conference Committee reached agreement on July 13 on legislation which provided for up to \$1.65 billion of long-term Federal guarantees, along with a limited amount of short-term guarantees available only during the first year of the program. The long-term guarantees would last as long as 15 years but would be available only for bonds sold to City or State Pension Funds, as authorized by the Treasury Secretary upon certain stated conditions. The compromise bill was adopted by the House on July 25 and by the Senate on July 27. In a ceremony on the steps of City Hall in Manhattan on August 8, 1978, President Carter signed the New York City Loan Guarantee Act of 1978. The concept of long-term Federal assistance for New York City, which had been developed and advocated by the Municipal Assistance Corporation, had become law.

With these achievements, the basic building blocks for meeting the City's financing requirements for the next four years had been put into place. The







Four-Year Financial Plan calls for \$4.5 billion of long-term financing for the fiscal years from 1979 through 1982 to be used as follows:

- \$2.3 billion for City capital improvements.
- \$400 million to finance a portion of the State advance to the City which is planned to be discontinued.
- \$900 million to finance the removal of the remaining expense items in the City's capital budget.
- \$900 million for Municipal Assistance Corporation refundings and capital reserve fund requirements.

This long-term financing is scheduled to come from the following sources:

- \$1.8 billion from the sale of unguaranteed Municipal Assistance Corporation bonds to New York City commercial banks, savings banks, insurance companies, and City Pension Funds.
- \$750 million from the sale of Federally guaranteed City bonds to City and State Pension Funds.
- \$1.0 billion from the sale of unguaranteed Municipal Assistance Corporation bonds to the public during 1979 and 1980.
- \$950 million from the sale of unguaranteed City bonds to the public during 1981 and 1982, and failing that from additional sales of unguaranteed Municipal Assistance Corporation bonds to the public and guaranteed City bonds to the Pension Funds.

The City's \$800 million of seasonal needs for fiscal 1979 are scheduled to be met by sales of City short-term notes to the commercial banks and City Pension Funds pursuant to commitments, or by sales of City notes to the public.

However, still to be negotiated with the purchasers were the details of the terms and conditions for the various components of that financing, and still to be documented was the final agreement of the parties. In addition, certain State and Federal legislative actions were still required in order to implement the guarantee and financing programs, but were expected to be taken in early fall.

With the completion of these additional actions, the Corporation will focus its concern on the task of arranging its share of the financing for the City over the next four years pursuant to the new financing program. In addition, the Corporation will be working closely with the City to facilitate the City's gradual re-entry into the public credit market. That success will depend heavily on the City's performance in complying with mandated budgetary and fiscal reforms. While the City has made marked progress toward such compliance, substantial obstacles remain and others may develop, particularly with regard to maintaining a balanced City budget in the coming years. Accordingly, the Corporation will continue overseeing those reforms, including its annual review of the City budget.





## The 1979 City Budget



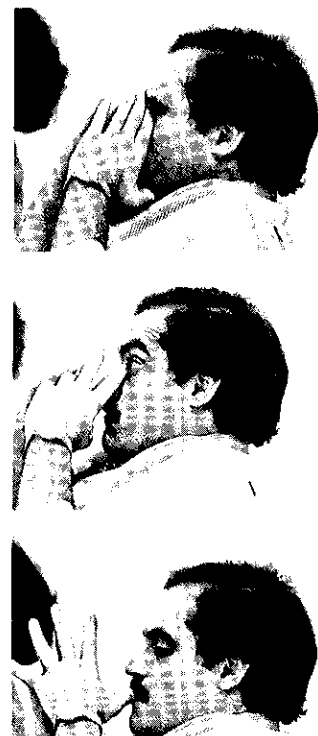
The Corporation's enabling statute requires the City to adopt and maintain an expense budget for each year beginning with fiscal 1978 in which the total of all income items equals or exceeds the total of all expenditure items as calculated in accordance with accounting principles, with certain permitted exceptions, as prescribed by the State Comptroller. As reported in last year's Annual Report, the Corporation concluded that the City's proposed budget for 1978 was "in accordance with the Act within a reasonable margin for error, although subject to a number of uncertainties", and further that "the City may find it increasingly difficult to maintain compliance in future years" and stressed the need for both long-term credit and an effective fiscal monitor for the City in the years after 1978.

This year, the Corporation reviewed the Mayor's Executive Budget for the 1979 fiscal year, as modified by the City Council and the Board of Estimate, and issued its report by letter dated June 12, 1978.

The report concluded that the City's budget for fiscal year 1979 was in substantial conformance with the statutory requirements within a reasonable margin for error, but that major uncertainties remained regarding actions by the State and Federal governments and economic and other assumptions underlying portions of the budget.

The report stated that the magnitude of the uncertainties for fiscal year 1979 was small relative to the actions the City has taken over the past three years in responding to the exigencies of the financial emergency. Further, it noted that there appeared to be general agreement among the City, the Office of the State Special Deputy Comptroller and the Emergency Financial Control Board on the core revenue and expenditure estimates and the proposed contingency program which provided some flexibility to deal with unforeseen events. The report also observed that there was a possibility of favorable developments during the year, including continuation of the general pattern of underspending by the City during the past two fiscal years. Finally, the report took note of the new State legislation which would ensure the existence of the Emergency Financial Control Board as a viable and forceful monitor of the City's finances far into the future.

However, the report warned that major questions remained with regard to funding the costs of the recently negotiated City labor contracts, which costs, as





well as any additional costs imposed by subsequent contracts to be negotiated in 1980, will present a problem in fiscal years 1981 and 1982.

The report also expressed concern that the City had failed to adequately recognize the need for control of future personnel costs by: (1) scheduling its planned personnel attrition mainly in later years; (2) funding personnel costs heavily from sources outside the City's tax levy, which could result in an increase in the City's workforce without adequate assurance of future ability to pay the increased payroll; and (3) divorcing the concept of productivity from wage and benefit increases.

Finally, the Corporation's report concluded that there was significant uncertainty regarding the continuance and growth of certain State and Federal assistance programs for the City, which could impose upon the City significant additional budgetary problems.

### **Information for Bondholders**

Pursuant to the new Financial Plan for the City covering the years 1979-82, the Corporation intends to issue \$2.8 billion of additional bonds during the next four years. In planning this additional issuance, the Corporation has taken into account several factors, including:

- In August 1977, the Corporation adopted a covenant that precludes it from issuing new obligations under the First Resolution if such issuance would cause maximum annual debt service of all First Resolution obligations to exceed \$425 million (with certain adjustments respecting up to \$25 million of small denomination obligations). In addition, the Corporation covenanted to increase the coverage requirement for issuance of Second Resolution Bonds from 1.2 times to 2 times all available revenues, including per capita aid, which is not available for payment of First Resolution Bonds, and the two State taxes which are secondary sources of payment for Second Resolution Bonds. These covenants are contained in certain existing bond series resolutions under which bonds are presently outstanding with maturities until the mid 1990's. It is anticipated that similar covenants will be included in future bond series resolutions under which new bonds of the Corporation will be issued.

- New State legislation in May 1978 authorized the Corporation to issue up to an additional \$3 billion in new bonds exclusive of refunding bonds for a series of specified purposes. In addition, it authorized the Corporation to issue new bonds until June 30, 1982, with a final maturity of up to July 1, 2008.

- On January 10, 1978, the Corporation issued its 1978 Series JJ Bonds, and used the net proceeds to refund its previously issued 1975 Series B Bonds in advance of their maturity, its first refunding of publicly held debt. (See Note 10 to Financial Statements for details.) Results of this refunding include reducing peak future debt service on First Resolution Bonds from \$391 million in 1980 to \$377 million in 1983 and several succeeding years, and reducing the Corporation's funding requirements in the 1978-1982 period by \$150 million. In connection with this advance refunding, because payment of the 1975 Series B Bonds is now secured by escrowed obligations of the United States of America, the 1975 Series B Bonds were rated "AAA" by Standard and Poor's Corporation, and "Aaa" by Moody's Investors Service, Inc., each agency's highest rating.

- The primary source of repayment for First Resolution Bonds, and an important secondary source for Second Resolution Bonds, is the State sales and compensating use tax collected within the City and deposited in the Municipal Assistance Tax Fund. The amount of State sales tax collected has risen every year since the Corporation was created and in fiscal 1978 totalled \$918.7 million. The State stock transfer tax is also available to the Corporation if required; collections of this tax totalled \$356 million in 1978. State per capita aid deposited in the Municipal Assistance Aid Fund and available for debt service on Second Resolution Bonds was \$434 million for the third year in a row.

- As a further protection for bondholders, the Corporation is required to maintain Capital Reserve Funds for First and Second Resolution Bonds. During the year, \$196 million was deposited in those Funds, bringing the total amount, including investment earnings, to \$387 million. (See Note 4 to Financial Statements for further information.) A portion of the proceeds of future financing contemplated by the Corporation is expected to be used to increase the balance in the Funds. However, if such financing fails to occur on a timely basis, the Corporation will use a portion of the State revenues available to it for this purpose.

**MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK**

**STATEMENT OF FINANCIAL POSITION**

	June 30,			
	1978		1977	
	Debt Service Fund	Operating Fund	Debt Service Fund	Operating Fund
<b>Liabilities:</b>				
First General Resolution Bonds	\$3,132,388,000		\$3,150,610,000	
Second General Resolution Bonds	<u>1,973,970,000</u>		<u>988,485,000</u>	
Total bonds payable	5,106,358,000		4,139,095,000	
Accrued interest on bonds payable	108,345,682		93,371,786	
Accounts payable		\$ 200,910		\$ 773,553
Advances under First Instance Appropriation		713,426		494,265
Accrued expenses		<u>1,134,841</u>		<u>2,611,815</u>
Total liabilities	<u>5,214,703,682</u>	<u>2,049,177</u>	<u>4,232,466,786</u>	<u>3,879,633</u>
<b>Assets:</b>				
Cash	16,240	17,304	50,889	19,468
Investments in marketable securities at cost which approximates market value	195,657,472		293,955,187	
Accrued interest on marketable securities	2,090,711		1,872,188	
Capital Reserve Fund assets	387,200,557		167,844,103	
Unexpended portion of allocated funds held by New York State		<u>2,980,616</u>		<u>4,545,803</u>
Total assets	<u>584,964,980</u>	<u>2,997,920</u>	<u>463,722,367</u>	<u>4,565,271</u>
Net funding requirements	<u>\$4,629,738,702</u>	<u>(\$ 948,743)</u>	<u>\$3,768,744,419</u>	<u>(\$ 685,638)</u>

**MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK**

**DEBT SERVICE AND CAPITAL RESERVE FUNDS  
STATEMENT OF TRANSACTIONS**

	For the fiscal year ended June 30, 1978		For the fiscal year ended June 30, 1977	
	Debt Service Fund	Capital Reserve Fund	Debt Service Fund	Capital Reserve Fund
<b>Receipts:</b>				
Principal amount of bonds and promissory notes issued	\$3,154,458,000		\$934,625,000	
<i>Less:</i>				
The City of New York notes received in exchange for Second General Resolution Bonds	819,230,000		421,500,000	
First General Resolution Bonds refunded	1,549,583,000		250,000,000	
Deposit for defeasance	243,381,175			
Discount on bonds issued	10,673,825		11,412,500	
Bonds issued for payment of interest	_____		6,875,000	
Net proceeds from issuance of bonds and notes	531,590,000		244,837,500	
Transfer to Capital Reserve Fund	(196,100,000)	\$196,100,000		
Sales tax allocations received from the State of New York	328,800,000		409,335,086	\$102,912,256
Per capita aid received from the State of New York	337,000,000		75,855,000	38,395,000
Interest adjustment pursuant to Restructuring Agreement	1,966,228			
Accrued interest received on issuance of bonds	1,034,132		1,145,834	
Income from investments	9,663,394	23,256,454	12,202,644	6,696,883
Interest received on obligations of The City of New York	76,181,656			
Total receipts	\$1,090,135,410	\$219,356,454	\$743,376,064	\$148,004,139

	<u>For the fiscal year ended June 30, 1978</u>		<u>For the fiscal year ended June 30, 1977</u>	
	<u>Debt Service Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Capital Reserve Fund</u>
<b>Expenditures:</b>				
Disbursements to The City of New York	\$ 380,641,989		\$ 200,000,000	
Debt service:				
Principal repayment on First General Resolution Bonds	55,465,000		191,200,000	
Interest on First General Resolution Bonds	248,395,896		222,219,328	
Principal repayment on Second General Resolution Bonds	33,745,000			
Principal amount of Second General Resolution Bonds purchased and redeemed			31,150,000	
<i>Less: Discount on purchases</i>			<u>(2,704,564)</u>	
Net cost			28,445,436	
Interest on Second General Resolution Bonds	149,838,162		57,497,960	
Principal repayment on promissory notes	335,490,000		273,500,000	
Interest on promissory notes	<u>1,147,100</u>		<u>6,127,583</u>	
Total debt service	<u>824,081,158</u>		<u>778,990,307</u>	
Total expenditures	<u>1,204,723,147</u>		<u>978,990,307</u>	
Excess (deficiency) of receipts over expenditures:				
For the period	(114,587,737)	\$219,356,454	(235,614,243)	\$148,004,139
Transfer from Operating Fund	1,500,000			
At beginning of period	<u>202,506,478</u>	<u>167,844,103</u>	<u>438,120,721</u>	<u>19,839,964</u>
At end of period	89,418,741	387,200,557	202,506,478	167,844,103
Principal amount of bonds payable	<u>5,106,358,000</u>		<u>4,139,095,000</u>	
Balance	<u>(\$5,016,939,259)</u>	<u>\$387,200,557</u>	<u>(\$3,936,588,522)</u>	<u>\$167,844,103</u>
Net funding requirement	<u>\$4,629,738,702</u>		<u>\$3,768,744,419</u>	

**MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK**

**OPERATING FUND  
STATEMENT OF TRANSACTIONS**

	<b>For the fiscal year ended June 30, 1978</b>	<b>For the fiscal year ended June 30, 1977</b>
<b>Receipts:</b>		
Municipal Assistance Tax Fund	\$ 4,232,386	\$13,667,559
Interest income		17,023
<b>Total</b>	<b>4,232,386</b>	<b>13,684,582</b>
<b>Expenditures:</b>		
Debt issuance and service:		
Printing and public notices	774,127	1,299,405
Legal services	934,211	1,314,258
Trustee and related services	640,744	486,921
Solicitation fees		7,944,900
<b>Total</b>	<b>2,349,082</b>	<b>11,045,484</b>
Oversight functions:		
Office of Special Deputy Comptroller	(1,094,615)	1,236,925
Emergency Financial Control Board	532,815	479,996
<b>Total</b>	<b>(561,800)</b>	<b>1,716,921</b>
General and administration:		
Personnel services—		
Salaries and benefits	275,858	206,743
Other personnel services	140,603	147,568
Accountancy services	58,217	81,614
Office rental	54,338	59,955
General office expenses	85,146	21,964
Travel expenses	6,727	2,679
Communications	14,270	11,546
Printing and distribution	46,840	35,551
<b>Total</b>	<b>681,999</b>	<b>567,620</b>
<b>Total expenditures</b>	<b>2,469,281</b>	<b>13,330,025</b>
Excess of receipts over expenditures for the period	1,763,105	354,557
Transfer to Debt Service Fund	(1,500,000)	
Excess of receipts over expenditures at beginning of period	685,638	331,081
Excess of receipts over expenditures at end of period	\$ 948,743	\$ 685,638

**MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK**

**NOTES TO 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 in June 1975 by the Municipal Assistance Corporation For The City of New York Act for purposes of assisting The City of New York (the "City") in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. Pursuant to said act, as amended (the "Act") to carry out such purposes, the Corporation, among other things, issues and sells bonds and notes and pays or loans funds received from such sales to the City and exchanges the Corporation's obligations for those of the City, each under conditions specified in the Act. Also pursuant to the Act, the Corporation provides for certain oversight of the City's financial activities.

**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 and disbursements to the City are recorded as made. Interest income on 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 and become part of net 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 dates such amounts are segregated for that purpose by the Trustee under the bond resolutions. The net funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

The Operating Fund accounts have been prepared on the accrual basis of accounting. Receipts are recorded in the Operating Fund as allocations are approved by the State. Expenses of debt issuance and service are charged to the Operating Fund as incurred.

The Statement of Financial Position gives no recognition to obligations of the City held by the Corporation as described in Note 6. Interest on such obligations is credited if and when received.

**Note 3—Bonds of the Corporation: Funding, Payment and Authorization:**

*Funding Methods:* The Corporation funds its debt service requirements and operating expenses by receipt of allocations 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 taxes and per capita aid not required by the Corporation are available to the City.

All the 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, from the special accounts created in the Municipal Assistance Tax and State Aid Funds.

Debt service for obligations issued under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the special account in 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. The net revenues from sales and stock transfer taxes which were collected by the State during the twelve months ended June 30, 1978 amounted to \$1,275 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 special account in the Municipal Assistance State Aid Fund, which is funded from per capita state 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, no such claims have been asserted since the inception of the Corporation. Total per capita aid paid into the Municipal Assistance State Aid Fund on June 25, 1978 amounted to \$434 million.

*Payment Dates:* Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semi-annually 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 semi-annually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution.

*Debt Authorization:* The Corporation is authorized by the Act to issue obligations in an aggregate principal amount of \$5,800 million, exclusive of obligations issued to refund outstanding obligations of the Corporation. Pursuant to the Act no obligation of the Corporation may mature more than 20 years from the date of original issue and no new obligation may be issued after June 10, 1980, except to renew or refund outstanding obligations. Pursuant to various resolutions of the Corporation no obligations may be issued if their issuance would cause certain debt service limitations and debt service coverage ratios to be exceeded.

Recently enacted State legislation provides for an increase in the Corporation's debt issuing authorization to \$8,800 million exclusive of refunding obligations and short-term notes issued to enable the City to fulfill its seasonal borrowing requirements. The legislation also provides that new obligations issued by the Corporation may mature up to 30 years from the date of original issue, but in no event later than July 1, 2008, extends the period during which the Corporation is authorized to issue new obligations to June 30, 1982, and provides certain additional purposes for which the Corporation may pay the proceeds to the City. In addition, the legislation authorized the Corporation to issue up to \$500 million of notes maturing no later than June 30, 1978. The legislation further provided that it shall become operative upon a certification by the Emergency Financial Control Board (the "EFCB") as to the enactment and signing into law of Federal legislation authorizing the United States of America to guarantee certain obligations issued by the City or the Corporation, with the exception of the authorization for issuance of notes maturing no later than June 30, 1978, which was operative immediately.

#### 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 for any calendar year is a fixed percentage of principal (including sinking fund installments) and interest maturing or otherwise due or becoming due on outstanding bonds during a specified calendar year. For 1978, 1979 and 1980 the percentages are 50%, 75% and 100% of such year's requirements, respectively. Following 1980, the percentage is 100% of the succeeding year's requirements.

Investments in the Capital Reserve Fund are recorded at amortized cost, which exceeded market value by approximately \$29 million at June 30, 1978. The Capital Reserve Fund balance at June 30, 1978 of \$387,200,557 comprised

\$175,040,917 relating to First General Resolution Bonds and \$212,159,640 relating to Second General Resolution Bonds.

The Capital Reserve Fund may be invested on the same basis as described in Note 5, and comprised the following at:

	June 30,	
	1978	1977
Cash	\$ 18,585	\$ 3,351
U.S. Treasury Bonds maturing through May 1990	51,264,146	
U.S. Treasury Notes maturing through August 1986	145,610,652	159,378,902
Other permitted investments maturing through November 1993	182,839,046	5,272,650
Accrued interest	7,468,128	3,189,200
	<u>\$387,200,557</u>	<u>\$167,844,103</u>

#### Note 5—Investments in Marketable Securities:

Debt service funds paid to the Corporation in advance of disbursement to bondholders are temporarily invested for the Corporation by the Trustee under the bond resolutions, and the income therefrom is credited to the Debt Service Fund. Proceeds of debt issues may also be temporarily invested for the Corporation by the Trustee.

Such investments may be made only in direct obligations of, or obligations guaranteed by, the State or the United States of America, or in certain other permitted investments, and comprised the following at June 30, 1978:

U.S. Treasury Bills maturing through July 1978	\$ 2,301,358
U.S. Treasury Notes maturing through January 1979	73,038,114
Repurchase Agreements maturing through July 1978	120,318,000
Total Debt Service Fund investments	<u>\$195,657,472</u>

#### Note 6—New York City Notes Held by the Corporation:

As a result of certain exchanges and payments to the City, at June 30, 1978, the Corporation held \$4,236 million of notes of the City. It is the Corporation's present intention that City notes held will not be presented for payment of principal or interest, except that bond anticipation notes held

by the Corporation will be presented for payment of interest and that certain bond anticipation notes may be exchanged for newly issued bond anticipation notes or bonds of The City of New York. During the quarter ended June 30, 1978 the Corporation received approximately \$76.2 million from the City as payment of interest due on bond anticipation notes held by the Corporation, comprising interest for the period from the date of acquisition to the most recent anniversary date of each note. Any amounts received as payment on City notes have the effect of reducing the amounts to be funded from the Corporation's other sources. The Corporation, in making its certification for funds, is required to exclude from consideration any amounts it expects to receive as payment on City notes until such amounts are received. Accordingly, the City notes held have not been included in the accompanying Statement of Financial Position.

#### **Note 7—Operating Fund:**

The Operating Fund provides for the expenses of carrying out the Corporation's duties and functions, as authorized by the Act. The Operating Fund is funded from the special account in the Municipal Assistance Tax Fund. The amount certified to for the 1978 fiscal year of the Corporation is \$7.0 million (1977—\$14 million).

For the fiscal year ended June 30, 1978, \$4,232,386 of funds from the State had been allocated to the Corporation for Operating Fund purposes. At June 30, 1978, \$1,131,492 of funds allocated in fiscal year 1978 and \$1,377,457 allocated in previous fiscal years had not been expended and were held for the Corporation's account by the State.

In addition, the Corporation may request and utilize repayable First Instance Appropriations from the State. The amount of these appropriations remaining to be repaid to the State from operating expense apportionments was \$713,426 at June 30, 1978.

Expenditures are processed for payment by the State Department of Audit and Control. The accompanying financial statements do not include any expenses for the Corporation's Financial Advisor which is serving without compensation.

Pursuant to an agreement among the Corporation, the City, the New York State Office of the Special Deputy Comptroller for The City of New York (the "OSDC") and the State Comptroller, the Corporation has no liability for expenses related to the OSDC services for the period June 10, 1975, to December 31, 1977. Accordingly, a reduction in the applicable expense and estimated liability accounts of \$2,429,613 has been recognized during the year representing expenses accrued for the OSDC services which will not be payable.

On January 31, 1978, the Corporation made a permanent transfer of \$1,500,000 from the Operating Fund to the Debt Service Fund.

#### **Note 8—Litigation:**

Various actions previously commenced against the Corporation and others challenging the constitutionality, under the State and Federal Constitutions, of the statutes providing for the appropriation of the sales and stock transfer taxes to the Corporation have all been dismissed on the merits. The Corporation has prevailed in all appeals of such actions sought by plaintiffs and no further appeals are available to plaintiffs in any of these actions.

#### **Note 9—Commitments and Contingencies:**

The Corporation's responsibilities, pursuant to the requirements of the Act, for the oversight of the City's financial affairs are substantially similar to the responsibilities of the OSDC and the EFCB. To avoid duplication of efforts, the Corporation has contracted for the OSDC to provide certain services for the oversight of the City's financial affairs. The accompanying financial statements include a provision for the Corporation's estimate of the amount payable to the OSDC for services pursuant to the contract as amended (see Note 7) through June 30, 1978.

In addition, the Corporation has contracted effective April 29, 1976, as amended July 15, 1976 and July 24, 1978 for other oversight services to be performed by the staff of the EFCB at an annual cost not to exceed \$550,000.

#### **Note 10—Refunding and Defeasance of 1975 Series B Bonds:**

On January 10, 1978, the Corporation issued its 1978 Series JJ Bonds in the aggregate principal amount of \$250,155,000. Substantially all of the net proceeds of the issue were invested in direct obligations of the United States of America which are held in trust with the United States Trust Company of New York. The proceeds held in trust and the income from investment thereof are sufficient to pay principal and interest when due on the 1975 Series B Bonds. As a result, the 1975 Series B Bonds are deemed to have been paid within the meaning of the First General Bond Resolution and are therefore no longer presented as a liability of the Corporation.

#### **Note 11—Promissory Notes, 1978 Series:**

On June 9, 1978 the Corporation issued \$335,490,000 principal amount of Promissory Notes due June 30, 1978 to certain New York City Pension Funds. The proceeds of such sale were paid immediately to the City. The Corporation prepaid principal of and interest on such notes on June 29, 1978 in full satisfaction of its obligations.

**MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK**

**BONDS AND NOTES OUTSTANDING**

(In Thousands)

Exhibit 1

Series	Redemption Date	Interest Rate	Principal	
			1978	1977
<b>First General Resolution Bonds:</b>				
	<b>February 1:</b>			
A	1978-1990	7.0%-9.25%	\$ 470,260	\$ 511,090
B <sup>1</sup>	1980-1983	10%-11%		212,912
C	1978-1986	6%		165,005
D	1978-1986	6%		34,065
E	1978-1986	6%		36,965
G	1978-1985	9.0%-11%	42,210	46,265
J (Public)	1984-1985	11%	1,090	1,090
J (Restructured)	1978-1986	6%		68,005
M	1978-1995	10%-11%	81,050	81,050
O	1990-1994	11%	25,000	25,000
U	1986-1990	11%	40,000	40,000
X	1991-1994	11%	35,000	35,000
Y	1981	10%	20,850	20,850
BB	1978-1986	6%	110,940	1,367,063
CC	1984-1993	10.25%	256,250	256,250
EE	1991-1995	7.5%	250,000	250,000
FF	1986	7.5%	53,475	
GG	1987	8%	70,200	
HH	1988-1995	7.5%	1,414,738	
II	1987	7.5%	11,170	
JJ	1982-1995	7.25%-8.25%	250,155	
	<b>Total First Resolution</b>		<b>3,132,388</b>	<b>3,150,610</b>
<b>Second General Resolution Bonds:</b>				
	<b>July 1:</b>			
1	1978-1986	8%	77,205	83,830
2	1978-1986	8%	164,535	178,645
3	1978-1986	8%	67,555	73,350
4	1978-1986	8%	84,085	91,300
5	1982-1991	8%	139,860	139,860
6	1982-1991	8%	18,215	18,215
7	1983-1992	9.75%	403,285	403,285
8	1980-1992	7.5%	200,000	
9	1980-1992	7.5%	819,230	
	<b>Total Second Resolution</b>		<b>1,973,970</b>	<b>988,485</b>
	<b>Total bonds outstanding</b>		<b>\$5,106,358</b>	<b>\$4,139,095</b>

<sup>1</sup>Refunded (See Note 10)

**MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK**

**SUMMARY OF ANNUAL DEBT SERVICE  
FUNDING REQUIREMENTS**

(In Thousands)

Exhibit 2

Fiscal year ending June 30,	Principal and interest requirements			Capital Reserve Fund Contributions	Total
	First General Bond Resolution	Second General Bond Resolution	Total		
1979	\$ 311,836	\$ 195,703	\$ 507,539	\$ 60,495	\$ 568,034
1980	314,747	221,319	536,066	103,388	639,454
1981	303,083	220,614	523,697	1,298	524,995
1982	337,565	230,492	568,057	74,839	642,896
1983	376,356	253,715	630,071	(1,338)	628,733
1984	352,738	253,781	606,519	(44,474)	562,045
1985	353,662	252,761	606,423	48,977	655,400
1986	374,587	253,749	628,336	(7,270)	621,066
1987	372,257	256,646	628,903	(631)	628,272
1988	375,283	254,221	629,504	1,411	630,915
1989	376,167	251,719	627,886	(3,499)	624,387
1990	374,124	248,359	622,483	8,819	631,302
1991	373,160	250,428	623,588	(1,337)	622,251
1992	369,343	261,358	630,701	(274,649)	356,052
1993	365,501	—	365,501	69	365,570
1994	361,117	—	361,117	(9,048)	352,069
1995	<u>178,382</u>	<u>—</u>	<u>178,382</u>	<u>(344,251)</u>	<u>(165,869)</u>
<b>Total</b>	<u>\$5,869,908</u>	<u>\$3,404,865</u>	<u>\$9,274,773</u>	<u>(\$ 387,201)</u>	<u>\$8,887,572</u>

**MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK**

**SUMMARY OF TOTAL ANNUAL DEBT  
SERVICE PAYMENT REQUIREMENTS**

(In Thousands)

Exhibit 3

Fiscal year ending June 30,	First General Bond Resolution	Second General Bond Resolution	Total
1979	\$ 303,444	\$ 194,974	\$ 498,418
1980	321,869	194,972	516,841
1981	307,624	220,039	527,663
1982	298,542	219,245	517,787
1983	376,587	228,811	605,398
1984	376,125	251,309	627,434
1985	329,351	251,169	580,520
1986	377,974	249,947	627,921
1987	371,200	250,676	621,876
1988	373,315	253,343	626,658
1989	377,251	250,690	627,941
1990	375,083	247,940	623,023
1991	373,165	244,330	617,495
1992	373,155	246,021	619,176
1993	365,531	256,404	621,935
1994	365,471		365,471
1995	<u>356,763</u>	<u>          </u>	<u>356,763</u>
<b>Total</b>	<u><u>\$6,022,450</u></u>	<u><u>\$3,559,870</u></u>	<u><u>\$9,582,320</u></u>

**Report of Independent Accountants**

To the Board of Directors of

**Municipal Assistance Corporation  
For The City of New York**

In our opinion, the accompanying Statement of Financial Position and the related Debt Service Fund, Capital Reserve Fund and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1978 and 1977 and the Debt Service Fund, Capital Reserve Fund and Operating Fund transactions for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were 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.

*Price Waterhouse & Co*

153 East 53rd Street  
New York, New York 10022  
July 24, 1978

## Management

The Municipal Assistance Corporation is administered by a Board of Directors consisting of nine members. All of the Directors are appointed by the Governor of the State of New York with the advice and consent of the New York State Senate, and four of them are appointed upon written recommendation of the Mayor of The City of New York. The Corporation's enabling act also provides for the appointment of Representatives to the Board by certain State or City officials or bodies politic, who serve at the pleasure of such appointing official or body. The Representatives are entitled to receive notice of and to attend all meetings of the Board, but are not entitled to vote. In addition, the New York State Comptroller or his representative is entitled to attend and participate in the meetings of the Board, but is not entitled to vote.

<b>Directors</b>	<b>Term Ending</b>
Felix G. Rohatyn, <i>Chairman</i>	December 31, 1979
Francis J. Barry (1)	December 31, 1979
George M. Brooker (1)(2)	December 31, 1977
Thomas D. Flynn (2)	December 31, 1977
George D. Gould (1)	December 31, 1978
Dick Netzer	December 31, 1979
Richard Ravitch (3)	December 31, 1978
Andrew P. Steffan (1)	December 31, 1980
Robert C. Weaver	December 31, 1980

(1) Appointed upon the written recommendation of the Mayor.

(2) Mr. Brooker and Mr. Flynn will continue to serve until reappointed or until their respective successors are appointed and qualified.

(3) Mr. Ravitch resigned effective August 17, 1978.

<b>Representatives</b>	<b>Appointed or Designated by</b>
Zane Klein	New York City Board of Estimate
Edward M. Kresky	President Pro-Tem of the New York State Senate
Jules V. Lane	Minority Leader of the New York State Assembly
Leonard Nadel	Speaker of the New York State Assembly
[Vacant]	Vice-Chairman of the New York City Council
Robert W. Seavey	Minority Leader of the New York State Senate
Sanford I. Weill	New York State Comptroller

Eugene Keilin is the Executive Director of the Corporation.

## Directors

FELIX G. ROHATYN, *Chairman*. Mr. Rohatyn is a General Partner of Lazard Frères & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Eastern Air Lines, Inc., Engelhard Minerals & Chemicals Corporation, Howmet Turbine Components Corporation, International Telephone & Telegraph Corporation, Owens-Illinois, Inc. and Pfizer Inc. He is a member of the Finance Committee of the Rockefeller Brothers Fund, Inc. He is also a trustee of Middlebury College. Mr. Rohatyn served as a Member of the Emergency Financial Control Board from July 1976 to June 1977. Mr. Rohatyn, 50, is a resident of New York City.

FRANCIS J. BARRY, *Director*. Mr. Barry is President of Circle Line-Sightseeing Yachts, Inc. and other of its affiliated companies. He is the Chairman of the New York City Council on Port Promotion and Development, of which he has been a member since 1962. From 1967 to date, he has served as an arbitrator for the United Marine Division of Local 333 I.L.A. of the AFL-CIO. He is a member of the Advisory Committee to the New York City Convention and Exhibition Corporation. He is a Member of the Emergency Financial Control Board. Mr. Barry, 71, is a resident of New York City.

GEORGE M. BROOKER, *Director*. Mr. Brooker is a principal stockholder and President of Webb & Brooker, Inc., a real estate management and brokerage firm. He is Vice-President of the Greater New York Institute of Real Estate Management. He is past Chairman and currently a member of the Board of Directors of the New York Urban League. He is a director of the DuBois Memorial Foundation, a member of the Board of Governors of the Real Estate Board of New York and the Realty Advisory Board of New York. He is also a member of the Board of Governors of the Carver Democratic Club of New York City. He is a member of the Management Council, National Center for Housing Management of Washington, D.C., and a director of the Realty Foundation of New York. Mr. Brooker, 52, is a resident of Polham Manor, New York.

THOMAS D. FLYNN, *Director*. Mr. Flynn was, until October 1975, a partner in Arthur Young & Company, an international accounting firm, and Vice-Chairman of its Management Committee. He served as President of the American Institute of Certified Public Accountants ("AICPA") for 1964-1965. In 1970, he was the recipient of an AICPA Gold Medal Award for Distinguished Service to the Accounting Profession, the highest honor awarded by the AICPA. He is a Trustee of Columbia University. He is Director Emeritus of National Bureau of Economic Research, Inc. He is also a Trustee of American Savings Bank. He is a member of the Board of Directors of Household Finance Corporation and Chairman of the Audit Committee. Mr. Flynn, 65, is a resident of Sands Point, New York.

GEORGE D. GOULD, *Director*. Mr. Gould is President and Chief Executive Officer of The Madison Fund, Inc., a closed-end investment company. Until 1976, Mr. Gould was Vice-Chairman of the Board of Directors of Donaldson, Lufkin & Jenrette, Inc., and Chairman of the Board of Directors and Chief Executive Officer of Donaldson, Lufkin & Jenrette Securities Corporation, a member of the New York Stock Exchange, Inc. He is also a Director of First National Supermarkets, Inc., and International Controls Corporation. In addition, Mr. Gould is Chairman of the following State agencies: Housing Finance Agency, Medical Care Facilities Agency, Project Finance Agency, Municipal Bond Bank Agency and is a director of the State Mortgage Agency. Mr. Gould, 51, is a resident of New York City.

DICK NETZER, *Director*. Dr. Netzer has been Dean of the Graduate School of Public Administration of New York University since 1969. From 1964 through 1966, he was research director of the Temporary Commission on City Finances. From 1967 to 1969, he was Professor of Economics and head of the All University Department of Economics, New York University. He is a nationally recognized expert in the areas of state and local government finance and urban economics and he has published extensively in each of those areas. Dr. Netzer, 50, is a resident of New York City.

RICHARD RAVITCH, *Director*. Mr. Ravitch is Chairman of City Development Corporation, a real estate and venture capital firm. From April 1975 to March 1977, he was Chairman of the New York State Urban Development Corporation. He is Chairman of the New York State Economic Development Board, a Trustee of The Bowery Savings Bank, Teachers College of Columbia University and Central Synagogue, President of the Jewish Community Relations Council of New York and Vice-President of the Federation of Jewish Philanthropies. In addition, he is a director of various religious and philanthropic organizations. Mr. Ravitch, 45, is a resident of New York City.

ANDREW P. STEFFAN, *Director*. Mr. Steffan is a Vice President in the Corporation Finance Department of Smith Barney, Harris Upham & Co. From 1972 until 1976 he was on the staff of the Securities and Exchange Commission and became the agency's Director of Economic Policy Research. He is a member of the Executive Committee of the New York District of the Securities Industry Association. Mr. Steffan, 40, is a resident of New York City.

ROBERT C. WEAVER, *Director*. Dr. Weaver has been Distinguished Professor of Urban Affairs at Hunter College since 1970. From 1966 through 1968, he was Secretary of the United States Department of Housing and Urban Development and from 1968 through 1970 was President of Bernard M. Baruch College. He is a Trustee Emeritus of the Metropolitan Life Insurance Co. and a Trustee of The Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver, 70, is a resident of New York City.

## Representatives

ZANF KLEIN, *Representative*. Mr. Klein has been a member of the law firm of Berlack, Israels & Liberman, New York, New York, since 1968. He is a member of the City Comptroller's Technical Debt Management Committee and a member of the Advisory Committee to the City Office of Telecommunications. He has also served on advisory panels with respect to equity and real estate investments of the employee pension systems of the City and is active in civic and community affairs. Mr. Klein, 41, is a resident of New York City.

EDWARD M. KRESKY, *Representative*. Mr. Kresky is a General Partner of Wertheim & Co., investment bankers. He has been with Wertheim since 1971. From 1965 through 1971, he served as Secretary to the Metropolitan Transportation Authority of New York State. He is a member of the Boards of Security Mutual Life Insurance Company of New York and the New York State Council on the Arts and of the Council of the National Municipal League. From 1972 to 1973 he was a member of the Governor's Task Force on Financing Higher Education in New York State. Mr. Kresky serves as an observer to the Emergency Financial Control Board. Mr. Kresky, 54, is a resident of New York City.

JULIUS V. LANE, D.D.S., *Representative*. Dr. Lane is President and Chairman of the Board of the American Medical Insurance Company in Hicksville, New York, which was formed in 1964. He is Vice President of Lisadent, Inc., President of Lane Brokerage and Jules and Linda Lane Realty Company. Dr. Lane is a Board member of the Century National Bank and Trust Company, member of the Board of Governors of the New York Cardiac Center and Membership Chairman of the Young Presidents Organization. Dr. Lane, 48, lives in Sands Point, New York.

LEONARD NADEL, *Representative*. Mr. Nadel, who was Senior Vice President of Abraham & Straus, a division of Federated Department Stores, Inc., until March 1978, established a management consulting firm, Leonard Nadel Associates, Inc., in New York City in April 1978. He is Chairman of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish-Hillside Medical Center and past President of the Brooklyn Chamber of Commerce. Mr. Nadel, 57, is a resident of Roslyn, New York.

ROBERT W. SEAVEY, *Representative*. Mr. Seavey is President of N.D.I., a real estate development and construction firm. He is a member of the law firm of Seavey, Fingerit & Vogel, New York, New York, a director of the Citizens' Housing and Planning Council of New York and a member of the Committee on Housing and Urban Development of the Association of the Bar of The City of New York. Mr. Seavey, 50, is a resident of New York City.

SANFORD I. WEILL, *Representative*. Mr. Weill is Chairman, President and Chief Executive Officer of Shearson Hayden Stone, Inc., an international investment banking firm, of which he was a founder in 1960. He has served as a director of numerous corporations and currently is on the Board of the Arlen Realty & Development Corp. He is a member of the New York Society of Security Analysts, Midwest Stock Exchange, Chicago Board of Trade and Young Presidents Organization, Inc., and an associate member of the New York Stock Exchange. In January 1976, he was appointed by the Governor of New York to the Securities Industry Task Force. In January 1978, he was appointed to the Governing Council of the Securities Industry Association. He is a fellow of Brandeis University. Mr. Weill, 45, is a resident of New York City.

## Officers

EUGENE KEILIN. Mr. Keilin, Executive Director of the Corporation, was employed by The City of New York from 1971 until he joined the Corporation on October 1, 1976. From 1973 to 1975, he served as General Counsel of the City's Office of Management and Budget; from 1975 to October 1976 he was counsel to the City's first Deputy Mayor for Finance. Prior to his employment by the City, Mr. Keilin was associated with the New York law firm of Sage, Gray, Todd & Sims. Mr. Keilin, 36, is a resident of New York City.

STEPHEN J. WEINSTEIN. Mr. Weinstein is Deputy Executive Director and Secretary of the Corporation. From 1972 to 1975, he was an Associate with Marcou, O'Leary and Associates, Inc., Washington, D.C., and acted as Counsel and Assistant to the Executive Director of the West Side Highway Project, in New York City. Prior to that, Mr. Weinstein practiced law in Washington, D.C., with a law firm and with the Antitrust Division of the United States Department of Justice. Mr. Weinstein, 36, resides in New York City.

MARILYN F. FRIEDMAN. Ms. Friedman, Counsel to the Corporation, was associated with the New York law firm of Kramer, Lowenstein, Nessen, Kamin & Soll from 1974 to January 1977. Prior to that, she was employed by the City of New York, where she served as a Deputy General Counsel of the City's Housing and Development Administration during 1974. She is a member of the Municipal Affairs Committee of the Association of the Bar of the City of New York. Ms. Friedman, 33, resides in New York City.

HARRIS A. DECKER. Mr. Decker is Treasurer of the Corporation. Until September 1977, he was a Health Program Analyst for Financial Planning at the Rate Setting Commission of the Commonwealth of Massachusetts. During that time, Mr. Decker also acted as a consultant to the Corporation with regard to certain financial matters. Prior to that, he served on the staff of the New York City Temporary Commission on City Finances and the staff of Charles River Associates in Cambridge, Massachusetts. Mr. Decker, 25, resides in New York City.

## Consultants

**PAUL, G. GIDDINGS.** Mr. Giddings began acting as Financial Consultant to the Corporation in January 1976. From 1960 to 1975, Mr. Giddings was with Donaldson, Lufkin & Jenrette, Inc., where he was an Executive Vice President and a member of the Finance Committee; Vice Chairman and Director of Research of Donaldson, Lufkin & Jenrette Securities Corporation; and a Director of Alliance Capital Management Corporation, and of Louis Harris and Associates, Inc. He is also Vice Chairman of The Studio Museum in Harlem. Mr. Giddings, 44, resides in New York City.

**STEPHEN BERGER.** Mr. Berger, President of Stephen Berger Associates, Inc., a consulting firm located in New York City, began acting as Budget Consultant to the Corporation in December 1977. From April 1976 to October 1977, Mr. Berger was Executive Director of the New York State Emergency Financial Control Board. Prior to that, he served as Commissioner of the New York State Department of Social Services. Mr. Berger, 39, resides in New York City.

### General Counsel

**PAUL, WEISS, RIFKIND, WHARTON & GARRISON**  
New York, N.Y.

### Bond Counsel

**HAWKINS, DELAFIELD & WOOD**  
New York, N.Y.

### Trustee

**UNITED STATES TRUST COMPANY OF NEW YORK**  
New York, N.Y.

### Financial Advisor

**LAZARD FRERES & CO.**  
New York, N.Y.