

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

March 4, 1993

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 10:00 A.M. on Thursday, March 4, 1993, at the offices of Lazard Freres & Company, One Rockefeller Plaza, New York City.

The following Directors were present, constituting a quorum of the Board:

Felix G. Rohatyn, Chairman  
George M. Brooker  
John P. Campbell  
Gedale B. Horowitz  
Eugene J. Keilin  
Andrew P. Steffan

The following Representatives were present:

Jerome Belson  
Joel B. Mounty  
Carl H. Pforzheimer III

The following members of the staff were present:

Quentin B. Spector  
Frances H. Jacobs

Also present by invitation of the Board were: Saul H. Finkelstein of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; Donald J. Robinson and Doris Varlese of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; Stephen J. Weinstein of Policy Planning Initiatives, Consultant to the Corporation; Pasquale V. Santivaschi and H. William Weber of United States Trust Company of New York; Robert

Horowitz and Bernard Kabak of the Office of the State Deputy Comptroller; Michael Zino, Jewel Douglas and Namita Kansal of the State Financial Control Board; Elizabeth McCaul and Arthur Miller of Goldman, Sachs & Company and John G. Bove of Mudge, Rose, Guthrie, Alexander & Ferdon, Counsel to the Underwriters.

Mr. Spector noted that the draft minutes of the Board Meeting of October 1, 1992 were at the Corporation's offices at One World Trade Center. Due to the bombing on February 26 and the subsequent limited access to the building, the minutes were not available for distribution.

#### Professional Services

Mr. Spector informed the Board that the Finance Committee had adopted a resolution authorizing a revised fee schedule for the independent accountants, and asked the full Board to ratify such action.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Resolution of the Finance Committee dated April 1, 1993 authorizing a revised fee schedule for independent accountants effective from July 1, 1992 until June 30, 1994, be and hereby is ratified.

#### Proposed Financing

Mr. Spector outlined the proposed sale of \$132,135,000 million of Series C Bonds to refund the Corporation's outstanding Series 56 Bonds, which bear interest at the rate of 8.25%. He stated that the proceeds of the Series C Bonds, together with

releases of funds from the Second Resolution Capital Reserve Fund and the Bond Service Fund, would be sufficient to refund the Series 56 Bonds. Mr. Spector stated that the Series C Bonds would consist of annual maturities from July 1, 1994 to July 1, 2008, at rates ranging from 2.50% to 5%, as shown on the cover of the proposed Official Statement. He stated that the proposed sale would produce net cash debt service savings of approximately \$33 million. The present value savings was \$23.5 million or 11.768%. This is the highest percentage of present value realized on any of the Corporation's refundings. Mr. Spector reported that the Corporation had received ratings of "A" from Moody's Investors Service, "A" from Standard & Poor's Corporation and "AA" from Fitch Investors Service, Inc.

Mr. Robinson summarized the principal provisions of the proposed Series C Resolution. He stated, among other things, that such resolution, with maturities and interest rates as set forth therein, would authorize the sale of the Series C Bonds to an underwriting group headed by Goldman Sachs and Company, at a price equal to a discount from the initial public offering prices equal to 0.087% of the principal amount of the Series C Bonds, to refund the outstanding Series 56.

The Directors expressed their appreciation for the efforts of the staff, General Corporate Counsel, Bond Counsel and the Underwriters in bringing the financing to market.

Mr. Horowitz suggested that, barring legal constraints, the Corporation consider using non-callable bonds to attain

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March 4, 1993  
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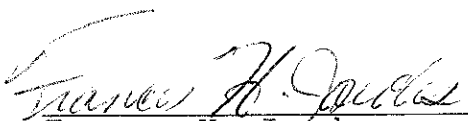
additional savings. Mr. Spector replied that the Corporation was obligated by statute to have a 10-year call provision on its bonds. He acknowledged, however, that the cost of call options was becoming a more important issue and that this cost was closely monitored. He reported that for the Series C Bonds the call option was very inexpensive.

After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Series C Resolution substantially in the form presented to the meeting, with such non-substantive changes as General Counsel and Bond Counsel may, in their discretion, require, be and hereby is adopted.

#### Adjournment

There being no further business before the Board, the meeting was, upon motion duly made, seconded and unanimously carried, adjourned.

  
\_\_\_\_\_  
Frances H. Jacobs  
Deputy Executive Director  
and Treasurer

## NEW ISSUE

*In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants, interest on the Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel is further of the opinion that interest on the Series C Bonds is not a specific preference item for purposes of the individual or corporate federal alternative minimum taxes. However, Bond Counsel observes that interest on the Series C Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series C Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Series C Bonds. (See "PART 16 — TAX EXEMPTION AND TAX CONSEQUENCES".)*

**\$132,135,000**

## **MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK** (A Public Benefit Corporation of the State of New York)

### **SERIES C BONDS**

(Issued Pursuant to the 1991 General Bond Resolution)

**Dated: March 1, 1993**

**Due: July 1, as shown below**

Principal of the Series C Bonds is payable at the corporate trust office of United States Trust Company of New York, trustee under the 1991 General Bond Resolution. Interest on the Series C Bonds is payable semi-annually on each January 1 and July 1, commencing July 1, 1993, by check or draft mailed to the registered owner. The Series C Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple of \$5,000.

The Series C Bonds maturing on or before July 1, 2003 are not subject to redemption prior to maturity. The Series C Bonds maturing after July 1, 2003 are subject to redemption at the option of the Corporation on or after July 1, 2003, as a whole or in part on any date, at an initial redemption price of 101% of the principal amount thereof, plus accrued interest to the redemption date, all as more fully described herein.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1994	\$6,140,000	2½%	100%	2002	\$ 8,955,000	4.60%	4.70%
1995	6,370,000	3.10	3.20	2003	9,450,000	4¾	4.80
1996	6,650,000	3½	3.60	2004	9,980,000	4.80	4.90
1997	6,960,000	3.80	3.90	2005	10,545,000	5	100
1998	7,295,000	4	4.10	2006	11,170,000	5	5.10
1999	7,665,000	4¼	4.30	2007	11,840,000	5	5.20
2000	8,065,000	4.40	4.50	2008	12,555,000	5	5.30
2001	8,495,000	4½	4.60				

The Series C Bonds are issued pursuant to the 1991 General Bond Resolution and are payable from certain per capita State aid and revenues derived from certain sales and compensating use taxes imposed by the State of New York within The City of New York and, under certain conditions, the State stock transfer tax, subject to annual appropriation by the State Legislature and after satisfying debt service requirements, operating expenses and capital reserve funding requirements under the Second General Bond Resolution. The State is not bound or obligated to continue to appropriate such per capita State aid or to continue the imposition of such taxes or to make the necessary payments of such per capita State aid or the necessary appropriations of the revenues derived from such taxes. The Corporation has no taxing power. The Series C Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City shall be liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal of or interest on the Series C Bonds.

The Series C Bonds are offered when, as and if issued by the Corporation and received by the Underwriters and subject to approval of legality of Orrick, Herrington & Sutcliffe, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Certain legal matters will be passed on for the Underwriters by their counsel, Mudge Rose Guthrie Alexander & Ferdon, New York, New York. It is expected that the Series C Bonds in definitive form will be available for delivery on or about March 18, 1993 in New York, New York.

**Goldman, Sachs & Co.**

**Merrill Lynch & Co.**

**Bear, Stearns & Co. Inc.**

**WR Lazard, Laidlaw & Mead**  
Incorporated

**Lehman Brothers**

**J. P. Morgan Securities Inc.**

**The First Boston Corporation**

The date of this Official Statement is March 4, 1993

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series C Bonds or any other securities of the Municipal Assistance Corporation For The City of New York by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by such Corporation and by other sources which are believed to be reliable by such Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of such Corporation or of the State of New York or of The City of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES C BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Lazard Frères & Co.—Financial Advisor

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**PART I – INTRODUCTION**

Certain factors and additional information that may affect decisions to invest in the Series C Bonds are described throughout this Official Statement which should be read in its entirety. Certain terms used in this Official Statement are defined in the Appendix or in PART 13 herein.

The Corporation..... The Municipal Assistance Corporation For The City of New York is a public benefit corporation of the State created for the purpose of providing financing assistance and fiscal oversight for The City of New York (the “City”).

The Bonds..... The Series C Bonds will be issued pursuant to the Corporation’s 1991 General Bond Resolution. Substantially all of the net proceeds of the Series C Bonds will be applied to refund all outstanding Series 56 Bonds issued pursuant to the Second General Bond Resolution (the “Refunded Bonds”). Certain revenues of the Corporation described below are pledged to the payment of the 1991 Resolution Bonds, including the Series C Bonds, which are general obligations of the Corporation and not obligations of either the State or the City.

Revenues Available to Pay Debt Service.... The Corporation’s revenues pledged to the payment of 1991 Resolution Bonds are derived from moneys that are paid to United States Trust Company of New York, as trustee (the “Trustee”), subject to annual appropriation by the State Legislature, from Per Capita Aid, the Sales Tax and the Stock Transfer Tax (after satisfying debt service, operating expenses and capital reserve funding requirements under the Corporation’s Second General Bond Resolution). “Per Capita Aid” consists of amounts that otherwise would have been payable to the City under the State law that provides for a general revenue sharing program, if any, applicable to localities throughout the State. The “Sales Tax” consists of a State sales tax imposed within the City, at the rate of 4%, on most retail and certain other sales. The “Stock Transfer Tax” consists of the State tax on the transfer of stocks and certain other securities. The Corporation has no taxing power.

The authority of the State to impose and collect the Sales Tax and to pay the Sales Tax and Stock Transfer Tax revenues to the Corporation has been affirmed by the State’s highest court; the United States Supreme Court dismissed the appeal of the State court’s decision for lack of a substantial federal question.

For further information with respect to the Corporation’s revenues and debt service, as well as estimated coverage ratios, see “PART 5 – PAYMENT OF THE BONDS” and “PART 6 – DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS”.

Limitations on Bond Issuance..... The 1991 General Bond Resolution provides that the Corporation is not to issue additional 1991 Resolution Bonds unless Sales Tax revenues, after deducting the maximum aggregate annual debt service payment on the Second Resolution Bonds and the current operating expenses of the Corporation, would cover maximum annual debt service payments on 1991 Resolution Bonds at least two times.

The Corporation has covenanted not to issue additional Second Resolution Bonds unless available revenues would cover estimated maximum annual debt service payments on Second Resolution Bonds at least two times. There are no obligations outstanding under the First General Bond Resolution, and the Corporation has covenanted with the owners of the Series C Bonds not to issue any additional First Resolution Obligations.

Appropriation of Revenues .....

The State Legislature has appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since the inception of the Corporation. Under the State Constitution, however, the State Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation. The State Legislature is not bound or obligated to continue the appropriation of Per Capita Aid for the benefit of local governmental units.

The Corporation believes that any failure by the State to make annual appropriations for the benefit of the Corporation, as expected, would have a serious impact on the ability of the State and its agencies to raise funds in the public credit markets.

Outstanding Debt of the Corporation .....

After the issuance of the Series C Bonds and the refunding of the Refunded Bonds, the Corporation will have outstanding an aggregate of \$5.463 billion of its bonds, \$506 million issued under the 1991 General Bond Resolution and \$4.957 billion issued under the Second General Bond Resolution.

Obligations issued under the Corporation's 1991 and Second General Bond Resolutions have the benefit of separate reserve funds held by the respective trustees therefor. At December 31, 1992, such funds established under the Second and 1991 General Bond Resolutions, valued in accordance with the Act, contained \$554.8 million and \$114.1 million, respectively. Such amounts equalled or exceeded the required funding levels. No provision is made in the Act for certification by the Corporation to the State of any deficit in the Bond Reserve Fund established under the 1991 General Bond Resolution to be funded by any appropriation from other than Per Capita Aid, the Sales Tax or the Stock Transfer Tax. See "PART 5 — PAYMENT OF THE BONDS".

Certain Factors .....

Certain institutional investors, some of which are underwriters of this offering, hold substantial amounts of bonds of the Corporation. Such investors may, from time to time during and after the time when the Series C Bonds are being offered to the public, offer or sell bonds of the Corporation, which may have an adverse effect on the market for and the market price of the Series C Bonds.

The Corporation believes that the market for, the market price of, and the sources of payment of, the Series C Bonds may be affected by certain other factors described elsewhere in this Official Statement.

On January 19, 1993, the Governor released the Executive Budget for the State's 1994 fiscal year and a revision to the State's Financial Plan for fiscal 1993. On January 29, 1993, the City released its second quarter modification to the current four-year financial plan. For a more detailed description of the State's 1994 Executive Budget and the State and City financial plans, see, in particular, "PART 7 — CERTAIN DEVELOPMENTS AFFECTING THE STATE" and "PART 8 — CERTAIN DEVELOPMENTS AFFECTING THE CITY — Fiscal Year 1993 and 1993-96 Financial Plan".



**PART 2 – BONDS BEING OFFERED**

**General**

The Series C Bonds will be issued pursuant to the 1991 General Bond Resolution and the Series C Resolution. The Series C Bonds will be dated and bear interest from March 1, 1993 to maturity or earlier date fixed for redemption. The Series C Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple of \$5,000. Principal of the Series C Bonds is payable at the corporate trust office of the Trustee. Interest on the Series C Bonds is payable semi-annually on each January 1 and July 1, commencing July 1, 1993, by check or draft mailed to the registered owners at their addresses, as the same appear on the books of the Corporation kept by the Trustee on the fifteenth day preceding an interest payment date. The Series C Bonds will be transferable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the Series C Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new Series C Bond issued upon such exchange or transfer and any other expenses of the Corporation or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) will be paid by the Corporation as operating expenses.

Pursuant to the Act, the Series C Bonds will include the 1978 State Covenant to the effect that the State shall not take certain actions, including any action that will substantially impair the authority of the Control Board to act in specified respects with regard to the City. See "PART 9 – VARIOUS CONTROL PROGRAMS – Control Board" and "PART 10 – AGREEMENT OF THE STATE OF NEW YORK".

United States Trust Company of New York is the Trustee under the 1991 General Bond Resolution. Its corporate trust office is located at 114 West 47th Street, New York, New York 10036. For further information concerning the Trustee, see "PART 14 – TRUSTEE".

**Redemption**

*Optional Redemption*

The Series C Bonds maturing on or before July 1, 2003 are not subject to redemption prior to maturity. The Series C Bonds maturing after July 1, 2003 are subject to redemption at the option of the Corporation on and after July 1, 2003, as a whole or in part on any date, at the following redemption prices (expressed as percentages of the principal amount), plus accrued interest to the date of redemption:

<u>Redemption Period</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
July 1, 2003 to June 30, 2004 .....	101%
July 1, 2004 and thereafter .....	100

**Additional Bonds and Notes**

Pursuant to the Act, through December 31, 1984, the Corporation was authorized to issue bonds and notes in an aggregate principal amount not exceeding \$10 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements). Under this authorization, the Corporation issued approximately \$9.445 billion of bonds and notes.

In July 1990, the Act was amended to authorize the Corporation to issue up to an additional \$1.5 billion in bonds and notes to fund a portion of the capital programs of the New York City Transit Authority and the New York City School Construction Authority, under the terms contained in an agreement dated July 19, 1990 among the Corporation, the State and the City. This legislation also provides for a reduction in the new issuance authority to the extent that the transit and schools capital programs are funded by the City. As of February 24, 1993, the City advised the Corporation that it has funded \$615 million of these programs. The Corporation has not issued any bonds or notes for this purpose to date.

The Corporation continues to be authorized to issue bonds and notes to refund its outstanding bonds and notes, without limitation as to principal amount, under the Second and 1991 General Bond Resolutions. The State Legislature may amend the Act to change the authorized amount of bonds or notes which may be issued and the purposes therefor.

Additional 1991 Resolution Bonds may be issued on a parity with the Series C Bonds, provided that (a) an amount equal to the lesser of (i) the most recent collections of the Sales Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amount estimated by the State Commissioner of Taxation and Finance to be collected during the succeeding 12-month period from such sources, less (b) the maximum aggregate annual debt service on outstanding Second Resolution Bonds, less (c) estimated operating expenses of the Corporation for its then current fiscal year, is *at least two times* (d) the maximum annual debt service on Outstanding 1991 Resolution Bonds (including the particular series of such additional 1991 Resolution Bonds then proposed to be issued).

The 1991 General Bond Resolution permits 1991 Resolution Bonds to be issued with variable interest rates and containing various put and tender features. For purposes of all applicable additional debt incurrence tests and Bond Reserve Fund Requirement calculations relating to 1991 Resolution Bonds, each Variable Rate Bond shall be deemed to bear interest at such Bond's maximum permitted interest rate, and, unless specifically so provided in a series resolution, no payment as a result of any put or tender thereof shall have any effect on any such test or calculation.

Additional Second Resolution Bonds may be issued on a parity with outstanding Second Resolution Bonds, provided that (a) an amount equal to the lesser of (i) the most recent collections of the Sales Tax and Stock Transfer Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amounts estimated by the State Commissioner of Taxation and Finance to be collected during the succeeding 12-month period from such sources, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore apportioned and paid to the Municipal Assistance State Aid Fund for the fiscal year of the State during which such additional Second Resolution Bonds are to be issued, less (c) the maximum annual debt service on outstanding First Resolution Obligations, less (d) estimated operating expenses of the Corporation for its then current fiscal year, is *at least two times* (e) the maximum annual debt service on outstanding Second Resolution Bonds (including the particular series of such additional Second Resolution Bonds then proposed to be issued).

There are no bonds, notes or other obligations outstanding under the First General Bond Resolution. The Corporation has covenanted with the owners of the Series C Bonds not to issue additional First Resolution Obligations. The 1991 General Bond Resolution contains further limitations upon the issuance by the Corporation of additional obligations under the Second General Bond Resolution. See "PART 13 - SUMMARY OF CERTAIN PROVISIONS OF THE 1991 GENERAL BOND RESOLUTION - General".

### PART 3 – USE OF PROCEEDS AND PLAN OF REFUNDING

The net proceeds of the sale of the Series C Bonds are expected to be approximately \$130.1 million. Substantially all of such net proceeds, together with other available moneys of the Corporation, will be used to refund the Refunded Bonds (being all outstanding Series 56 Bonds).

The Series 56 Bonds are currently outstanding in the aggregate principal amount of \$123.75 million, consisting of an aggregate of \$54.575 million serial bonds due on July 1 in each of the years 1994 through 2002, \$19.16 million term bonds due July 1, 2004 and \$50.015 million term bonds due July 1, 2008. The Series 56 Bonds scheduled to mature on July 1, 1994, July 1, 1995 and July 1, 1996 will be paid at the maturity thereof at 100% of the principal amount thereof. The Series 56 Bonds maturing after July 1, 1996 are to be redeemed on July 1, 1996 at a redemption price of 102% of the principal amount thereof, plus accrued interest to the redemption date.

To accomplish the refunding of the Refunded Bonds, substantially all of the net proceeds of the Series C Bonds, together with other available moneys of the Corporation, are to be used to purchase Government Obligations. The principal of and interest on all such Government Obligations, when due, is to provide moneys sufficient to pay when due the redemption price of, together with interest on, the Refunded Bonds. At the time of issuance of the Series C Bonds, the Corporation shall cause the Government Obligations and moneys to be deposited in a special trust and to be held by United States Trust Company of New York, as the trustee under the Second General Bond Resolution. At such time, the Corporation will give such trustee irrevocable instructions to apply the special trust fund solely for the payment of (i) the principal of and interest on the Refunded Bonds maturing on July 1, 1994, July 1, 1995 and July 1, 1996 when due and (ii) on July 1, 1996 the redemption price of, together with interest on, the Refunded Bonds maturing after July 1, 1996.

Upon the giving of such instructions, the Refunded Bonds will no longer be outstanding for purposes of the Second General Bond Resolution. Accordingly, the principal of and interest on the Refunded Bonds maturing on July 1, 1994, July 1, 1995 and July 1, 1996 and redemption price of, together with interest to the redemption date on, the Refunded Bonds maturing after July 1, 1996 will be payable solely from the special trust fund.

Approximately \$5.99 million of the net proceeds of the sale will be deposited in the Bond Reserve Fund to equal its requirement upon the issuance of the Series C Bonds.

### PART 4 – THE CORPORATION

#### **Background, Purposes and Powers**

The Corporation is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. The Corporation was created by State legislation adopted in June 1975 (as amended to date, the “Act”), for the purpose of providing financing assistance and fiscal oversight for the City. To carry out such purpose, the Corporation was given the authority, among other things, to issue and sell bonds and notes, to pay or lend funds received from such sales to the City, to exchange the Corporation’s obligations for those of the City and to issue bonds to refund outstanding bonds. Between June 1975 and June 1978, the Corporation issued its obligations in accordance with this purpose and the City was provided with seasonal loans by the federal government and long-term financing by certain City pension funds and the Corporation. In September 1975, the Control Board was established to oversee the financial affairs of the City.

By June 1978, the City had brought its operating budget into balance in accordance with State law and accomplished other budgetary and accounting objectives. Despite this progress, it became clear that further actions would be necessary to enable the City to obtain its own financing. As a result, a four-year plan of financing (the “Four Year Plan”) was developed in November 1978 among the Corporation, the City, the State and the United States of America to provide long-term financing, including \$1.65 billion of federally guaranteed City bonds, for the City over the four fiscal years ending June 1982, during which time the City was required to follow a plan to bring its operating budget into balance in accordance with generally accepted accounting principles (“GAAP”) and to enable it to

regain access to the public credit markets. All debt issuances scheduled under the Four Year Plan were completed. To enable the Corporation to continue to assist in financing the City's capital needs after its 1982 fiscal year, the State enacted legislation in June 1980 increasing the amount of obligations which the Corporation could issue to \$10 billion (excluding refunding obligations and certain short-term notes) and extending through December 31, 1984 the period during which the Corporation could issue obligations to provide capital funds to the City. In July 1990, the Act was amended to authorize the Corporation to issue up to an additional \$1.5 billion in bonds and notes (exclusive of refunding obligations) to fund a portion of the capital programs of the New York City Transit Authority and the New York City School Construction Authority, as described further under "PART 2 - BONDS BEING OFFERED - Additional Bonds and Notes".

### **Outstanding Debt of the Corporation**

From the period of the Corporation's inception through December 31, 1984, the Corporation issued approximately \$9.445 billion aggregate principal amount of bonds and notes for purposes of the \$10 billion statutory issuance limit (which limit excludes all refunding obligations). After issuance of the Series C Bonds and the refunding of the Refunded Bonds, the Corporation will have outstanding (excluding bonds that have been refunded) \$506 million aggregate principal amount of 1991 Resolution Bonds and \$4.957 billion aggregate principal amount of bonds issued under the Second General Bond Resolution. The 1991 General Bond Resolution provides that all Outstanding 1991 Resolution Bonds will be on a parity with each other, regardless of the date of issuance.

Second Resolution Bonds have a claim prior to that of 1991 Resolution Bonds on all amounts available to the Corporation from the Sales Tax and the Stock Transfer Tax and from Per Capita Aid. The Second General Bond Resolution restricts the issuance of additional bonds thereunder. See "PART 2 - BONDS BEING OFFERED - Additional Bonds and Notes".

For additional information concerning the financial condition of the Corporation, see the audited financial statements of the Corporation for the fiscal year ended June 30, 1992, and the unaudited financial statements of the Corporation for the six months ended December 31, 1992, annexed hereto as Exhibit A, and "PART 19 - FINANCIAL STATEMENTS".

### **Additional Revenues**

Approximately \$1.075 billion in additional revenues of the Corporation were made available to the City during fiscal years 1984 through 1988 under an agreement with the State and the City. The City had agreed to use these funds for capital purposes, economic development and operating expenses.

In two subsequent agreements with the State and the City (the "1986 and 1989 Agreements"), an aggregate of approximately \$2.350 billion in additional revenues were made available to the City. These revenues were to be used as follows: \$925 million to the New York City Transit Authority for capital projects, \$600 million to the New York City School Construction Authority for capital projects, \$525 million for City operating purposes and \$300 million for the early redemption of a portion of the Corporation's outstanding debt.

On July 19, 1990, pursuant to the amended Act, the Corporation, the State and the City entered into a new agreement amending the 1986 and 1989 Agreements. Under the new agreement, the Corporation is to make available for City operations during fiscal years 1990 through 1997, inclusive, \$1.465 billion of its excess revenues which previously had been committed to the capital programs of the New York City Transit Authority and the New York City School Construction Authority. The Act and the new agreement further provides that to the extent the City does not fund these capital programs in accordance with the schedules set forth in the 1986 and 1989 Agreements, they are to be funded by the Corporation's debt issued under the 1991 General Bond Resolution. The Corporation has been advised, as of February 24, 1993, that the City has funded \$615 million of these programs. The Corporation has not issued any bonds or notes for this purpose to date.

## PART 5 – PAYMENT OF THE BONDS

### General

The 1991 Resolution Bonds are general obligations of the Corporation payable out of certain pledged revenues as well as any other available revenues of the Corporation. The 1991 Resolution Bonds are entitled to a first lien, created by the pledge under the 1991 General Bond Resolution, on all moneys and securities paid or deposited into the Corporation's Bond Payment Fund and Bond Reserve Fund under the 1991 General Bond Resolution, which are held by the Trustee. Such moneys and securities include the following:

- (i) amounts derived from Per Capita Aid, less certain prior statutory claims, none of which has been asserted since the inception of the Corporation, after satisfying annual funding requirements for the Corporation's outstanding Second Resolution Bonds;
- (ii) amounts derived from the Sales Tax and Stock Transfer Tax, after satisfying annual funding requirements for the Corporation's outstanding Second Resolution Bonds and operating expenses of the Corporation; and
- (iii) any interest or income earned on investments of amounts deposited into the Bond Payment Fund and Bond Reserve Fund.

The amounts described in (i) and (ii) above are paid to the Corporation from two special funds established by the Finance Law and held in the custody of the State Comptroller, the Municipal Assistance State Aid Fund (the "State Aid Fund") and the Municipal Assistance Tax Fund, respectively. The Finance Law provides that the State Comptroller shall make payments from these special funds to the Corporation's Bond Payment Fund and Bond Reserve Fund, in accordance with certificates of the Corporation setting forth the amount and timing of its cash requirements, on a quarterly basis in order to deposit these amounts in advance of interest and principal payment dates and bond reserve funding dates (although quarterly payments of Per Capita Aid are provided for by the Finance Law, substantially all of the Per Capita Aid payable to the Corporation is paid on an annual basis). Payments of Per Capita Aid revenues and Sales Tax and Stock Transfer Tax revenues are to be made to the Corporation to meet requirements under the 1991 General Bond Resolution only to the extent such revenues are not needed to meet requirements under the Second General Bond Resolution.

Under existing law, after the Corporation's certified requirements have been satisfied in full for a particular quarter, excess moneys in such special funds are to be paid to the City, except that Stock Transfer Tax revenues not required by the Corporation are paid to a fund established to provide rebates of such tax. Pursuant to the Finance Law, the State Comptroller may not disburse Sales Tax or Stock Transfer Tax revenues or Per Capita Aid held by the State Comptroller to the City or any other entity so long as an amount certified by the Corporation, as required to be paid by the date of disbursement to the City, remains unpaid.

Legislation was enacted in December 1989 authorizing a referendum by the residents of the Borough of Staten Island to approve the establishment of a charter commission to facilitate a secession from the City. Subsequently, the City instituted a lawsuit in which it sought to prevent the referendum from being placed on the ballot in Staten Island. In September 1990, the New York State Court of Appeals ruled that such referendum could be on the ballot, but noted that it was giving no opinion as to the ultimate legality of a secession. Such referendum appeared on the November 1990 ballot and received a majority of affirmative votes. Pursuant to the December 1989 legislation, the charter commission has drafted a proposed charter for a city of Staten Island which was presented to the Governor and the State Legislature on February 2, 1993 and is to be voted on by its residents in November, 1993. A subsequent amendment to the December 1989 legislation gives the State Legislature the power to approve any such secession, which cannot take place without such approval, after a charter has been approved by the Staten Island residents. The Corporation has proposed legislation that requires that in the event of a Staten Island secession and while any obligations of the Corporation remain outstanding, the portion of the Sales Tax attributable to Staten Island would continue to be imposed and collected for the benefit of the Corporation and Per Capita Aid otherwise payable to Staten Island would first be made available to the Corporation. No action has been taken with respect to such legislation.

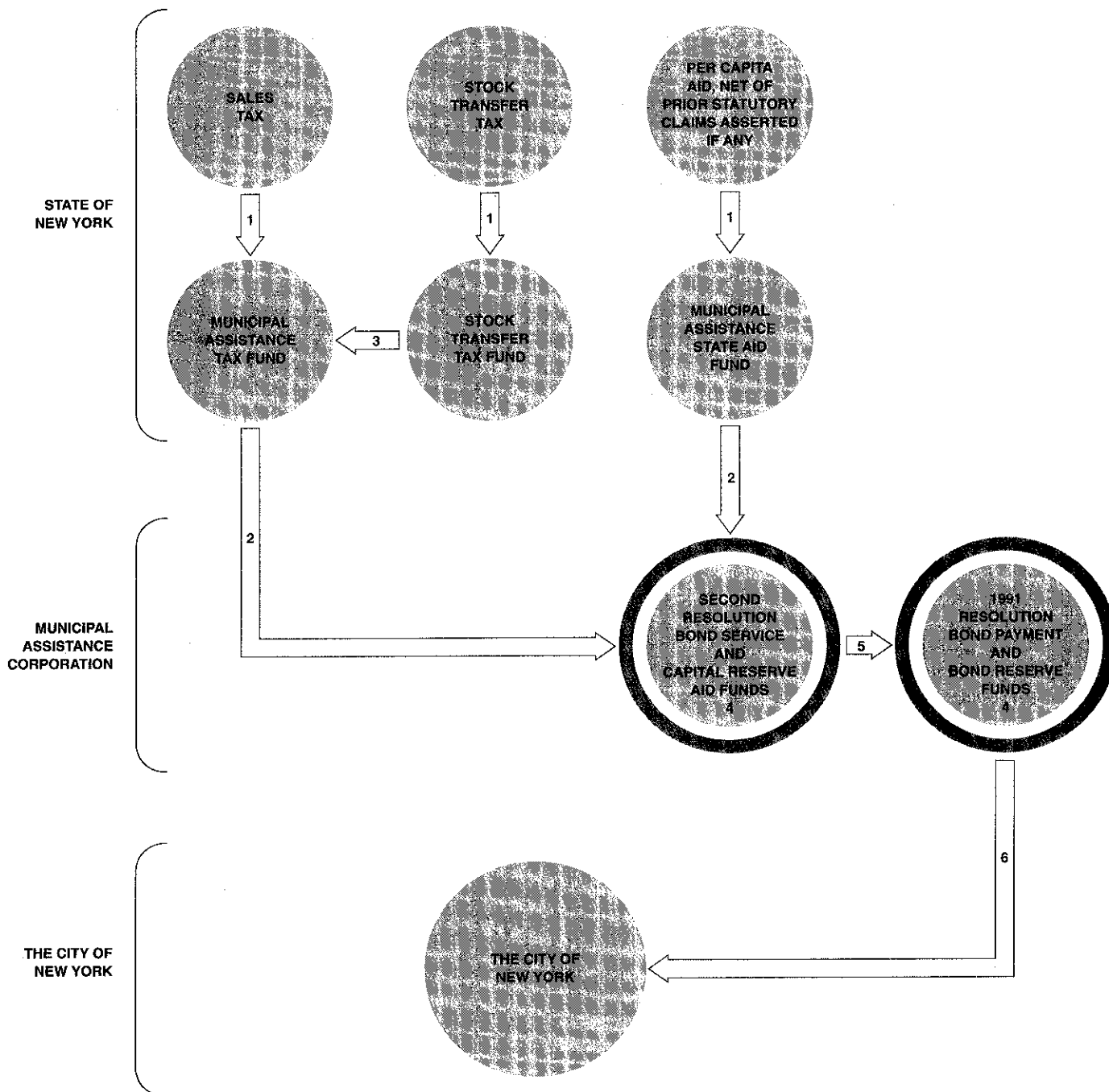
Members of the State Legislature representing portions of the Borough of Queens have introduced legislation in both the State Assembly and State Senate which could provide for a referendum and possible secession of such borough from the City.

Payments to the Corporation by the State are required to be made by the State only if and to the extent that such amounts have been appropriated by the State Legislature or that revenues have otherwise been made available therefore by the State.

The owners of the 1991 Resolution Bonds do not have any lien on Per Capita Aid, Sales Tax or Stock Transfer Tax until the moneys derived therefrom are paid into the Corporation's Bond Payment Fund and Bond Reserve Fund. The Act provides that any provision of the 1991 General Bond Resolution or the 1991 Resolution Bonds relating to payment by the State to the Corporation of Per Capita Aid, the Sales Tax or the Stock Transfer Tax is executory only to the extent of the moneys available from time to time from such Aid and Tax sources and held by the State, which moneys shall have been theretofore appropriated to the Corporation, and no liability on account thereof shall be incurred by the State beyond the moneys available from such sources.

The Corporation currently holds substantial amounts of bonds of the City. Such obligations held from time to time by the Corporation are not subject to the lien created by the pledge under the Second or 1991 General Bond Resolutions. In certifying its requirements, the Corporation may not take into account any amounts payable on such City obligations but not yet received by the Corporation. However, the requirements for any fund may be reduced to the extent that such moneys are received and deposited into such fund of the Corporation. See "PART 8 - CERTAIN DEVELOPMENTS AFFECTING THE CITY - Fiscal Year 1993 and 1993-96 Financial Plan".

The following chart illustrates the flow of money as described herein:



- 1 Subject to appropriation by the State Legislature.
- 2 Upon certification by the Corporation.
- 3 To the extent required by the Corporation; otherwise, for payment of rebates to the payors of the Stock Transfer Tax.
- 4 And operating expenses of the Corporation.
- 5 After deduction of the amounts needed for Second Resolution debt service and capital reserve funding and operating expenses.
- 6 After payment of all amounts certified by the Corporation. Amounts paid to the City are paid directly by the State.

The Corporation is a corporate governmental agency and instrumentality of the State and not of the City. The Corporation has no taxing power. The 1991 Resolution Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City is liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal of or interest on the 1991 Resolution Bonds.

If the Corporation were to be authorized by State law to file a petition under Chapter 9 of the Federal Bankruptcy Code, and if it were to meet other conditions specified in such Chapter, the Corporation could file a petition for relief under Chapter 9 pursuant to which the Corporation's securities could be adjusted or modified. The Corporation is not now authorized by the State to file a Chapter 9 petition and the Corporation does not anticipate that it will seek authorization or need the relief provided by Chapter 9.

#### **Appropriation by State Legislature**

The Finance Law provides that the State Legislature shall appropriate Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation, and the State Legislature has so appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for each of the State's fiscal years since the inception of the Corporation. Under the State Constitution, however, the State Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation.

The Corporation believes that any failure by the State Legislature to make appropriations for the benefit of the Corporation as expected would have a serious impact on the ability of the State and its agencies to raise funds in the public credit markets. See "PART 7 — CERTAIN DEVELOPMENTS AFFECTING THE STATE".

The State is not bound or obligated to continue payment of Per Capita Aid or to impose either the Sales Tax or the Stock Transfer Tax or to make any appropriations to the Corporation of the revenues received therefrom. The 1991 General Bond Resolution, however, provides that each of the following shall constitute an event of default with respect to the 1991 Resolution Bonds: (i) the failure of the State to apportion and pay, if appropriated, Per Capita Aid, the failure of the State to maintain the State Aid Fund and the Special Aid Account therein or a reduction by the State of the amount of Per Capita Aid payable during any fiscal year to an amount less than the maximum annual debt service payable on the Outstanding 1991 Resolution Bonds; (ii) the failure of the State to continue the imposition of either the Sales Tax or the Stock Transfer Tax, each imposed by the Tax Law, as such Law may be amended, or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975; or (iii) the failure of the State Comptroller to pay to the Corporation the amounts certified by the Corporation.

The Finance Law provides that in no event shall the State Comptroller pay over and distribute to the City or any other entity other than the Corporation any Sales Tax or Stock Transfer Tax revenues or Per Capita Aid held in the special funds (other than for State administrative charges), unless and until the aggregate of all cash required by the Corporation at the date of such distribution has been appropriated and has been paid to the Corporation.

Provisions of the State Constitution and the Finance Law require the setting aside of the first revenues received that are applicable to the State's General Fund if the State Legislature fails to make an appropriation for the payment of State indebtedness. Although the Sales Tax and the Stock Transfer Tax are revenues of the State, they are applicable to special funds, rather than the State's General Fund. Consequently, under existing law, the provisions requiring moneys to be set aside to pay State obligations would not apply to the Sales Tax and Stock Transfer Tax. However, Per Capita Aid is apportioned and paid from the State's General Fund and may be subject to being set aside to pay State obligations in the event the State fails to pay such obligations.

#### **Per Capita Aid**

Per Capita Aid consists of revenues that would otherwise be paid to the City as the City's share of the State general revenue sharing program for localities throughout the State. The State, although not



obligated to do so, has appropriated moneys which have been apportioned among local governmental entities, including the City, in each year since 1946, and the State has provided some measure of assistance to local governments since 1800.

The apportionment of general revenue sharing among localities is based on a statutory formula which takes into account the distribution of the State's population, the total assessed valuation of real property taxable within the State, personal income and other factors. Both the determination of the amount of statewide general revenue sharing, if any, and the apportionment of such revenue sharing among localities are legislative acts and the State Legislature may amend or repeal the statutes relating to statewide general revenue sharing and the formulae which determine the amount of Per Capita Aid. Such amendments could result in the increase or decrease of the amount of Per Capita Aid available for the payment of debt service on 1991 Resolution Bonds. However, certain of such acts by the State Legislature would be events of default under the 1991 General Bond Resolution. See "Appropriation by State Legislature" in this PART 5. The financial condition of the State may affect the amount of Per Capita Aid, if any, appropriated by the State Legislature. The State Legislature is not bound or obligated to continue to appropriate Per Capita Aid from year to year.

The State enacted a statute in 1992 which moved the June Per Capita Aid payment into the preceding March so as to fall within the State's fiscal year. This legislation also provided for a State recovery of a portion of Per Capita Aid apportioned to the City after the Corporation's certified requirements have been satisfied, but before any excess moneys are paid to the City. See Part 8 - "CERTAIN DEVELOPMENTS AFFECTING THE CITY".

The following table, which presents data obtained from the City Office of Management and Budget, the State Comptroller's office and the State Division of the Budget, indicates the aggregate payments of Per Capita Aid apportioned and paid to the City and payable to the Corporation for the last ten fiscal years of the City.

PER CAPITA AID (Dollars in thousands)			
1983 .....	\$484,037	1988 .....	\$535,023
1984 .....	484,024	1989 .....	535,023
1985 .....	484,024	1990 .....	535,023
1986 .....	512,092	1991 .....	535,023
1987 .....	535,030	1992 .....	535,023

### Sales Tax

The Sales Tax is imposed within the City at the rate of 4% on receipts from most retail sales of tangible personal property and certain services and at the rate of 6% on receipts from parking, garaging or storing motor vehicles in the City. The Sales Tax is in addition to the 4% sales and compensating use taxes levied statewide and the ¼ of 1% sales and compensating use tax levied in the regions served by the Metropolitan Transportation Authority. The Sales Tax is subject to certain limited exceptions, exemptions and exclusions. Under the Finance Law, the Sales Tax is paid into a special fund held by the State Comptroller on a monthly basis.

The Sales Tax is imposed on substantially the same tax base as the sales and compensating use taxes previously imposed by the City and collected by the State. A tax on sales of certain tangible personal property and services had been imposed by the City since 1934.

Collections of the Sales Tax had increased in each of the nine complete fiscal years prior to the 1991 fiscal year during which collections declined by approximately \$100 million. The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such Sales Tax are necessarily indicative of future receipts. The City has experienced adverse trends in certain economic and demographic factors which contributed to a slowing of the growth rate and a decline of Sales Tax collections and receipts from certain economically sensitive taxes imposed within the City in fiscal 1991. However, subsequent Sales Tax collections have shown increases. Sales Tax collections for the

quarter ended December 31, 1992 increased approximately \$59.8 million from the collections for the quarter ended December 31, 1991. Sales Tax collections for the calendar year ended December 31, 1992 increased approximately \$38.9 million from the collections for the calendar year ended December 31, 1991. See "PART 8 – CERTAIN DEVELOPMENTS AFFECTING THE CITY – Fiscal Year 1993 and 1993-96 Financial Plan".

The following table sets forth State collections of the sales and compensating use taxes imposed by the State since July 1, 1982, on a quarterly basis for the last ten fiscal years of the City, after deductions of the costs of administration, collection and distribution.

QUARTERLY COLLECTIONS OF SALES AND COMPENSATING USE TAXES IN THE CITY(a)

Fiscal Year Ended June 30	Three Months Ended:				Total
	September 30	December 31	March 31	June 30	
	(Dollars in thousands)				
1983 .....	\$338,727	\$373,836	\$387,483	\$388,897	\$1,488,943
1984 .....	377,560	398,725	449,985	426,509	1,652,779
1985 .....	414,663	433,959	458,324	480,416	1,787,362
1986 .....	428,641	459,647	507,902	482,786	1,878,976
1987 .....	474,644	490,940	533,450	505,923	2,004,958
1988 .....	531,137	540,030	584,349	524,992	2,180,508
1989 .....	530,211	558,799	606,178	585,167	2,280,355
1990 .....	534,576	605,211	627,380	590,698	2,357,865
1991 .....	560,921	577,340	569,251	547,337	2,254,849
1992 .....	537,261	546,970	557,874	542,208	2,184,313
1993 .....	532,868	606,734			

SOURCE: State Department of Taxation and Finance.

(a) Quarterly distributions to localities are adjusted to compensate for overdistributions or underdistributions when data on actual collections by locality are available. Such adjustments are reflected in the table for the quarter in which the subsequent distributions are made. Since July 1981, adjustments have ranged from \$41,255 to \$19.3 million to reflect overdistributions for certain prior periods and from \$116,971 to \$24.5 million to reflect underdistributions for other prior periods. Periods subsequent to June 1992 remain subject to the ongoing process of adjustment.

**Stock Transfer Tax**

The Stock Transfer Tax is imposed at rates ranging from 1¼¢ to 5¢ (based on the selling price per share) on sales, agreements to sell, memoranda of sale and deliveries or transfers made within the State of shares or certificates of stock and certain other certificates. The imposition of the Stock Transfer Tax is subject to certain limited exceptions and is subject to a maximum tax of \$350 on any taxable transaction which involves a sale on a single day of shares or certificates of the same class issued by the same issuer.

The level of Stock Transfer Tax revenues is related to the rate of tax imposed, the price of the shares traded and the volume of transactions on the securities exchanges located in the City. Such volume has fluctuated widely so that there can be no assurance that the historical data with respect to collections of such tax are necessarily indicative of future revenues. The Corporation believes that it is not possible to predict the effect of developments with respect to the City's economic condition or other related economic developments in the City on Stock Transfer Tax collections.

The revenues derived from the Stock Transfer Tax, including amounts subject to rebate as discussed below, after deduction of the costs of administration, collection and distribution of such Stock Transfer Tax, are shown below for the last ten fiscal years of the City, based upon the various rates prevailing and types of transactions taxable during the periods shown:

QUARTERLY COLLECTIONS OF STOCK TRANSFER TAX

Fiscal Year Ended June 30	Three Months Ended:				Total
	September 30	December 31	March 31	June 30	
	(Dollars in thousands)				
1983 .....	\$163,745	\$249,295	\$252,921	\$281,920	\$ 947,881
1984 .....	247,247	241,706	252,536	224,565	966,054
1985 .....	235,580	231,066	282,442	267,372	1,016,460
1986 .....	274,239	319,102	371,743	386,934	1,352,018
1987 .....	375,583	349,185	415,665	420,039	1,560,472
1988 .....	480,436	487,001	368,501	355,110	1,691,048
1989 .....	337,204	330,339	352,619	391,802	1,411,964
1990 .....	403,781	406,655	408,516	399,602	1,618,554
1991 .....	429,745	414,464	462,665	491,068	1,797,942
1992 .....	489,243	547,402	683,043	561,491	2,281,179
1993 .....	518,170	603,950			

SOURCE: State Department of Taxation and Finance.

In 1977, the State enacted a program of gradually increasing rebates for all Stock Transfer Tax payers. Rebates began October 1, 1977 with respect to transactions by non-residents subject to the Stock Transfer Tax and began October 1, 1979 with respect to transactions by residents. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the Stock Transfer Tax at the above-stated rates and that revenues are to continue to be paid into the Stock Transfer Tax Fund, although a substantial portion of such revenues (the rebatable portion of the tax) will be paid into the Stock Transfer Tax Fund only at the end of each calendar quarter. To the extent that the Corporation does not require the use of Stock Transfer Tax revenues for debt service on its outstanding obligations, such revenues are available on a quarterly basis for payment of rebates.

To date, the Corporation has not found it necessary to use the revenues derived from the Stock Transfer Tax to pay its debt service. Based on present projections, the Corporation does not anticipate that it will be necessary to utilize these revenues in the future, although no assurance can be given that they will not be so required. See "PART 6 - DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS". If the Corporation were to require a substantial portion of the Stock Transfer Tax revenues otherwise subject to rebate, the resulting reduction in the amounts available for rebate could have an adverse effect upon the New York securities industry.

**Bond Reserve Fund**

The 1991 General Bond Resolution requires the Bond Reserve Fund to be at a level not less than the Bond Reserve Fund Requirement. The Bond Reserve Fund Requirement, as of any date of required determination, is an amount not less than one-half of the maximum debt service due in any calendar year on all 1991 Resolution Bonds Outstanding. The Bond Reserve Fund may be funded with bond or note proceeds or with the Corporation's revenues, but the Act makes no provision for certification by the Corporation of any deficit in such Fund to be funded by any appropriation from other than Per Capita Aid, the Sales Tax or the Stock Transfer Tax. The Corporation will cause the Bond Reserve Fund to be funded at an amount not less than the Bond Reserve Fund Requirement.

Moneys in the Bond Reserve Fund may not be withdrawn if such withdrawal would reduce the amount of such Fund to less than the Bond Reserve Fund Requirement, except for the purpose of paying debt service on the 1991 Resolution Bonds if other moneys of the Corporation are not available to make such payment. The Corporation has not found it necessary to use moneys in any of its reserve funds to pay debt service on any of its obligations.

**PART 6 – DEBT SERVICE PAYMENT REQUIREMENTS AND  
ESTIMATED COVERAGE RATIOS**

In order to estimate coverage ratios for the 1991 Resolution Bonds that will be outstanding, the Corporation has assumed certain amounts of Per Capita Aid and Sales Tax and Stock Transfer Tax collections. There is shown below the basis on which such amounts were calculated. The debt service payment requirements for the Second and 1991 Resolution Bonds as well as certain coverage ratios are also shown below.

**Adjusted Per Capita Aid**

The Corporation has estimated the amounts of the following potential claims and liabilities on Per Capita Aid that are payable prior to the payment of Per Capita Aid to the Corporation, although since the inception of the Corporation no such claims have been asserted.

	<u>(Dollars in thousands)</u>
Per Capita Aid available to the Corporation during the Corporation's 1992 fiscal year .....	\$535,023
<i>Less annual potential claims:</i>	
<i>(a) City University Construction Fund ("CUCF").</i>	
Amounts equal to 50% of CUCF's share of certain State Dormitory Authority debt service and other expenses would be a claim against Per Capita Aid if not paid by the City to CUCF. The Corporation has been informed by CUCF that such debt service and other expenses are approximately \$68.18 million during its current fiscal year. State law permits a maximum claim of \$65 million in any fiscal year of the City* ...	\$34,088
<i>(b) New York City Housing Development Corporation ("HDC").</i>	
Amounts required to restore the HDC capital reserve funds to the amount required to be on deposit in such funds would be a claim against Per Capita Aid if not otherwise paid. The Corporation has been informed by HDC that the aggregate capital reserve fund requirements on all outstanding bonds of HDC as of this date is approximately \$22.9 million. State law currently permits a maximum claim of \$30 million in any fiscal year .....	\$22,897
<i>Less annual liabilities:</i>	
<i>New York City Police Pension Fund.</i>	
Amounts due annually from Per Capita Aid to the Trustees of the City Police Pension Fund .....	<u>\$ 500</u> <u>\$ 57,485</u>
Adjusted Per Capita Aid .....	<u>\$477,538</u>

\* Although State law purports to limit claims on Per Capita Aid, such limitation may not be effective in the event that the then outstanding bonds of the State Dormitory Authority for which Per Capita Aid may be claimed and issued to finance CUCF facilities are accelerated pursuant to the occurrence of an event of default under the related Dormitory Authority bond resolutions. In such event, all such outstanding bonds of the Dormitory Authority could be due and payable and could, to the extent of fifty percent of such principal amount, have a prior claim on Per Capita Aid. The Dormitory Authority has outstanding approximately \$2.8 billion of bonds, of which a portion may enjoy such prior claim. The State has, however, enacted legislation under which it commits, subject to annual appropriation, to pay 100% of CUCF's share of the Dormitory Authority's debt service with regard to senior college facilities.

### Aggregate Sales and Stock Transfer Taxes

Assuming that the Sales Tax and Stock Transfer Tax collections (after deduction of costs of administration, collection and distribution) in each fiscal year remain at the levels for the 12 months ended December 31, 1992, see "PART 5 – PAYMENT OF THE BONDS – Sales Tax" and "– Stock Transfer Tax", and operating expenses of the Corporation are \$13.6 million (the estimate for the 1993 fiscal year), the aggregate annual amount which would be available from the Sales Tax and the Stock Transfer Tax, if needed (the "Aggregate Sales and Stock Transfer Taxes"), to pay debt service of the Corporation is shown below:

	(Dollars) <u>in thousands</u>
Sales Tax collections for the 12 months ended December 31, 1992 . . .	\$2,239,685
Stock Transfer Tax collections for the 12 months ended December 31, 1992 .....	<u>2,366,654</u>
Sub-total .....	\$4,606,339
Less: Operating expenses of Corporation .....	<u>13,600</u>
Aggregate Sales and Stock Transfer Taxes .....	<u>\$4,592,739</u>

### Debt Service Requirements and Estimated Coverage Ratios

As shown above, Adjusted Per Capita Aid is approximately \$478 million and Aggregate Sales and Stock Transfer Taxes are approximately \$4,593 million, for a total of \$5,071 million.

The following table shows the aggregate annual debt service payment requirements on the Second Resolution Bonds which have a prior claim to that of the 1991 Resolution Bonds on the aggregate Sales and Stock Transfer Taxes and, Per Capita Aid.

In addition, the table shows the annual principal payments, interest payments and the aggregate debt service payment requirements on all outstanding 1991 Resolution Bonds, of which the Series C Bonds are the third series of 1991 Resolution Bonds Outstanding. The table also shows the coverage of annual debt service on 1991 Resolution Bonds by all revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) after deducting from such revenues the aggregate annual debt service requirements with respect to the Second Resolution Bonds and estimated operating expenses of the Corporation.

There is no assurance that Adjusted Per Capita Aid, Aggregate Sales and Stock Transfer Taxes or operating expenses will in fact remain at the levels referred to above in subsequent years. Furthermore, the Corporation reserves the right to issue additional obligations pursuant to the Second and 1991 General Bond Resolutions within the limitations contained in such General Bond Resolutions, the Series C Resolution, the Act and certain other resolutions of the Corporation.

**DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS**

(after issuance of the Series C Bonds and giving effect to the refunding of the Refunded Bonds)

(Dollars in thousands)

12-Month Period Ended June 30	Total Debt Service Payment Requirement on Second Resolution Bonds(a)	Debt Service Payment Requirements on 1991 Resolution Bonds			Estimated Coverage Ratios on 1991 Resolution Bonds— All revenues after deducting Debt Service on Second Resolution Bonds(b)
		Principal Payments(a)	Interest Payments	Total Debt Service	
1994 .....	\$497,600	229,440	21,249	260,689	18.24
1995 .....	494,825	20,080	14,241	34,321	133.31
1996 .....	496,571	12,120	13,539	25,659	178.25
1997 .....	485,185	12,805	12,964	25,769	177.93
1998 .....	546,710	13,550	12,323	25,873	174.84
1999 .....	557,688	14,355	11,618	25,973	173.74
2000 .....	575,329	15,225	10,845	26,070	172.42
2001 .....	511,338	16,165	10,000	26,165	174.24
2002 .....	510,925	17,175	9,081	26,256	173.65
2003 .....	510,452	18,280	8,090	26,350	173.05
2004 .....	509,974	19,435	7,020	26,455	172.38
2005 .....	509,456	20,715	5,903	26,618	171.34
2006 .....	508,889	21,980	4,735	26,715	170.74
2007 .....	508,242	23,355	3,484	26,839	169.98
2008 .....	507,992	24,850	2,152	27,032	168.77
2009 .....	508,302	26,508	732	27,232	167.52

(a) Includes Sinking Fund Installments.

(b) These coverage ratios reflect payment of \$13.6 million annual operating expenses of the Corporation.

All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on all Second Resolution Bonds and 1991 Resolution Bonds, shown in the table above for the fiscal years 1994 through 2009, ranging from a low of 6.78 times in 1994 to a high of 9.92 times in 1997.

In addition to the aggregate debt service payments with respect to the Second Resolution Bonds shown in the above table, the Corporation is required to make deposits into the Capital Reserve Aid Fund established pursuant to the Second General Bond Resolution, which Fund is currently funded at not less than its required level.

## PART 7 -- CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although bonds of the Corporation are not obligations of the State, financial developments with respect to the State may affect the market or sources of payment for, or market prices of, the Corporation's obligations. As described under "PART 5 -- PAYMENT OF THE BONDS", the revenues of the Corporation that are pledged to payment of debt service on the 1991 Resolution Bonds derive from Per Capita Aid and the Sales Tax and, in certain circumstances, the Stock Transfer Tax. The payment of these revenues to the Corporation is subject to annual appropriation by the State Legislature. The State Legislature has made appropriations to the Corporation for each of the State's fiscal years since the inception of the Corporation, including appropriations for the State's current fiscal year, but the Corporation has no assurance that the State Legislature will make such appropriations for subsequent fiscal years. It is possible that the willingness of the State Legislature to make such appropriations in the future may be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City.

The factors affecting the State's financial condition are complex, and the following description constitutes only a brief summary. This PART 7 is based entirely on information supplied by the State.

### Background

For decades, the State economy has grown more slowly than that of the nation as a whole, resulting in the gradual erosion of its relative economic affluence. The causes of this relative decline are varied and complex and in many cases involve national and international developments beyond the State's control. The long-term relative decline in the State's economy has been attributed, in part, to the combined State and local tax burden, which is among the highest in the nation. The existence of this tax burden limits the State's ability to impose higher taxes in the event of current or future financial difficulties.

The burden of State and local taxation, in combination with the many other causes of regional economic dislocation, may have contributed to the decisions of businesses and individuals to relocate outside, or not locate within, the State. Certain manufacturing facilities have relocated to other states. This trend has been partially offset, however, by the location of some new manufacturing facilities in the State and by expansion of existing facilities in the State. While the State's economy in most respects performed better than that of the nation during the early 1980's, since 1984 the State's rate of economic expansion has been somewhat slower than that of the nation. The State's unemployment rate has been generally lower than the national rate since the middle of calendar year 1981. However, available data and projections since the 1991 fiscal year show the State unemployment rate to be higher than the national rate of unemployment.

At the beginning of each fiscal year after legislative adoption of the Budget, the State Director of the Budget prepares a State financial plan which sets forth, on a cash basis, the State's projections of receipts and disbursements for that fiscal year (the "State Financial Plan"). Shortly thereafter the State Director of the Budget prepares a GAAP-based Financial Plan (the "GAAP-based Financial Plan") using the assumptions in the State Financial Plan. During the course of each fiscal year, the Governor is required to update periodically and revise the State Financial Plan and the GAAP-based Financial Plan and, in certain instances, to present the revised State Financial Plan to the State Legislature. The State Financial Plan is not the State budget as enacted by the State Legislature, but is the Governor's plan for administering State finances.

Projections and estimates of receipts from taxes have been subject to variance in recent fiscal years. The personal income tax, the sales tax and the corporation franchise tax have been particularly subject to overestimation as a result of several factors, the most recent of which include a significant slowdown in the national and regional economies and uncertainties in taxpayer behavior as a result of actual and proposed changes in federal tax laws. Actual results could differ materially and adversely from the projections below, and those projections could differ materially and adversely from time to time.

## Results of the State's 1992 Fiscal Year

The State Financial Plan for the 1992 fiscal year was initially formulated on June 10, 1991 (the "1992 State Financial Plan"), and included increased taxes and other revenues, deferral of scheduled personal income tax reductions, significant reductions from previously projected levels in aid to localities and State operations and other budgetary actions that were expected to maintain many items of General Fund disbursements at or below the 1991 fiscal year levels. The 1992 State Financial Plan was formulated after disagreement between the Governor and the legislative leaders over spending levels, revenue-raising measures and estimates of the impact of legislative actions, and after the Governor vetoed \$937 million in spending measures which the Legislature added to his proposed Executive Budget without providing the necessary revenues.

In July 1991, the Legislature enacted additional appropriation and revenue measures. The Legislature, after consultation with the Governor, passed appropriation bills adding a net of \$676 million in spending in the State's 1992 fiscal year. The additional spending was expected to be financed through several actions including amendments to the tax law to raise the tax rate on certain regulated businesses (\$200 million) and to increase revenue from the personal income tax for taxpayers with adjusted gross income of \$100,000 or more (\$100 million), offset, in part, by reductions in a portion of the petroleum and energy-based taxes enacted in June 1991 (\$145 million); restoration of additional tax receipts (\$139 million) resulting from added State support for the Department of Taxation and Finance; \$96 million in additional nonrecurring actions including \$57 million in anticipated receipts from the Federal government in settlement of foster care claims and \$41 million in payment restructurings; use of \$80 million in Thruway Authority funds; other miscellaneous actions and further administrative actions to reduce spending.

As a result of the actions taken in July 1991, the 1992 State Financial Plan initially formulated on June 10, 1991 was revised on July 23, 1991 to reflect increased spending, as well as additional revenue-raising measures, which, together with existing revenue measures, were then projected to be sufficient to provide for that increased spending. Because the July 1991 revisions to the 1992 State Financial Plan materially changed the State's initial projections of both receipts and disbursements, there follows a comparison of actual results for the 1992 fiscal year to the State's projections made in both June 1991 and July 1991.

The State's economic forecast, upon which the 1992 State Financial Plan formulated in July 1991 was based, anticipated a modest but continuing recovery in the national economy, consistent with the consensus of forecasters at the time. In this national environment, the State economy was expected to show continued but moderating declines in employment, with losses of 1.9% relative to the prior fiscal year. The national economy, however, was much more sluggish than forecast, and the State economy fared significantly worse as well, with employment declines now estimated at 3.9%. Other economic factors such as wage and non-wage income and consumer spending that are important to financial estimates were overestimated as well.

Personal income tax receipts were projected at \$15.203 billion in June and at \$15.353 billion in July, including the revenues added by the Legislature as described above. Actual receipts in the 1992 fiscal year were \$14.913 billion, a decrease of \$290 million and \$440 million as compared to the June and July projections, respectively. The shortfall in personal income tax receipts was the result of a weaker-than-expected economy. User tax and fee receipts were \$6.353 billion, \$75 million and \$104 million below the June and July projections, respectively. The primary reason for this shortfall was a weaker-than-projected economy and lower spending on consumer durables than projected. Business tax receipts of \$5.072 billion were up \$399 million and \$274 million as compared to the June and July projections, respectively. The reasons for these increases were higher-than-expected payments by banks and general business corporations against their current-year income. Receipts from other taxes were \$1.108 billion, a reduction of \$21 million from the June and July projections. This reduction was attributable to a sharp drop in real estate transactions and values caused by the weak economy, which was only partially offset by higher estate and gift tax revenues. Miscellaneous receipts of \$1.372 billion were down \$221 million and \$298 million from the June and July projections, respectively. The primary



reason for this shortfall was the inability of the State to complete certain planned non-recurring transactions. Transfers to the General Fund from other funds totaled \$1.574 billion, an increase of \$43 million and \$27 million as compared to the June and July projections, respectively.

Disbursements and transfers to other funds totaled \$29.842 billion, an increase of \$448 million from the June projections, resulting from the actions on the budget taken in July as discussed above. Actual disbursements were \$10 million higher than the July projections. Increased disbursements were the result of higher-than-anticipated costs for Medicaid and income maintenance as a result of the economic downturn and significant job losses during 1991, offset by reduced disbursements of \$347 million achieved through administrative actions. These reductions, together with other actions amounting to \$60 million, comprised the Governor's \$407 million 1991 Deficit Reduction Plan.

### **Program for the State's 1993 Fiscal Year**

A national recession commenced in mid-1990. The downturn continued throughout the State's 1991 fiscal year, and was followed by a period of weak economic growth during the 1991 calendar year. For calendar year 1992, the national economy continued to recover, although at a rate below all post-war recoveries. For calendar year 1993, the economy is expected to grow faster than in 1992, but still at a very moderate rate of growth, as compared to other recoveries. The recession has been more severe in the State, owing to a significant retrenchment in the financial services industry, cutbacks in defense spending, and an overbuilt real estate market. The forecast made by the Division of the Budget for the overall rate of growth of the national economy during calendar year 1993 is somewhat lower than the "consensus" of a widely followed survey of forecasters.

The Executive Budget released by the Governor on January 21, 1992 contained projections for the 1993 State fiscal year that began on April 1, 1992. The Governor indicated that, for the 1993 fiscal year, the State faced a \$4.269 billion budget gap as determined by the baseline projection methodology. This methodology reflects estimates of revenue based on the economic outlook and the tax structure under current law, as compared to projected spending based on such factors as existing spending patterns, increased spending due to State and Federal mandates, debt and capital spending commitments and inflationary pressures. When this baseline imbalance was combined with the \$531 million needed in the 1993 fiscal year to repay the \$531 million in tax and revenue anticipation notes issued to finance the 1992 General Fund cash basis operating deficit (the "1992 Deficit Notes"), the total gap in the 1993 fiscal year was projected to be \$4.8 billion. The recommended 1993 Executive Budget reflected efforts to achieve budgetary balance by reducing disbursements by \$3.5 billion and increasing revenues by \$1.3 billion from levels previously anticipated using the baseline projection methodology. Among the major actions proposed were \$1.16 billion in Medicaid and social service program cost reductions or revenues; \$1.0 billion in reduced State agency operations; \$715 million in reduced grants to local governments; and \$352 million in reduced support for capital programs. The major revenue action recommended for the 1993 fiscal year was a freeze on personal income (\$730 million) and corporation (\$270 million) tax reductions that had been scheduled to occur during the 1993 fiscal year. The 1993 State budget, as enacted by the Legislature on April 2, 1992, increased new revenues by an additional \$35 million, increased the Medicaid and social service program cost reductions or revenues by \$38 million, and increased school aid and other education programs by \$218 million, but reduced spending for State operations, fringe benefits and debt service.

On January 19, 1993, the third quarterly revision to the 1993 State Financial Plan was submitted to the Legislature. Such revision projects that the State will complete its 1992-93 fiscal year with a cash-basis General Fund positive margin of \$184 million. This positive margin will be made available for income tax refunds in the 1994 fiscal year.

In 1990, three actions were commenced in Supreme Court, Albany County (*McDermott, et al. v. Regan, et al.*; *Puma, et al. v. Regan, et al.*; and *Guzdek, et al. v. Regan, et al.*) challenging the constitutionality of legislation, enacted during the 1990 legislative session, which changed actuarial funding methods for determining State and local contributions to the State employee retirement system, resulting in initial reductions in such contributions. In a decision dated August 10, 1992, the Supreme Court, Albany County, granted summary judgment to plaintiffs in all three actions on the

grounds that the challenged legislation was an unconstitutional attempt to divest public employees of a contract right to an independent trustee, the State Comptroller. The State filed and perfected an appeal, and the appeal is pending in the Appellate Division, Third Department. The Supreme Court decision mentioned that the Comptroller projected that the challenged legislation would result in a reduction of State and local employer contributions of approximately \$800 million for the 1991 fiscal year alone. Although it is not possible to predict the timing of a final decision or the fiscal impact of an adverse decision in this case, an adverse final decision could have a material adverse effect on the financial condition of the State and its local governments, particularly if such a decision is not rendered for several years.

#### **Recommended Program for the State's 1994 Fiscal Year**

The Recommended 1994 State Financial Plan is based on an economic projection that the State will perform more poorly than the nation as a whole. Although real gross domestic product grew modestly during the 1992 calendar year and is expected to show increased growth in calendar year 1993, the Division of the Budget expects that the State's economy, as measured by employment, will continue to decline slightly during the first part of calendar year 1993, before resuming growth later on in the year. Many uncertainties exist in forecasts of both the national and State economies, including slower than projected job growth, a drop in consumer confidence, a weaker than expected global economy and insufficient bank credit, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience worse-than-predicted results in the 1994 fiscal year, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

The Governor released the Executive Budget for the 1994 fiscal year on January 19, 1993. The Recommended 1994 State Financial Plan, which is based on the Executive Budget, as revised on February 18, 1993, projects a balanced General Fund. General Fund receipts and transfers from other funds are projected at \$31.556 billion, including \$184 million carried over from the 1993 fiscal year. Disbursements and transfers from other funds are projected at \$31.489 billion, not including a \$67 million repayment to the State's Tax Stabilization Reserve Fund.

To achieve General Fund budgetary balance in the 1994 State fiscal year, the Governor has recommended various actions requiring legislative approval. These include: proposed spending reductions from previously anticipated levels and other actions that would reduce General Fund spending (\$1.6 billion); continuing the freeze on personal income and corporate tax reductions and on hospital assessments (\$1.3 billion); retaining moneys in the General Fund that would otherwise have been deposited in dedicated highway and transportation funds (\$516 million); a 21-cent increase in the cigarette tax (\$180 million); and new revenues from miscellaneous sources (\$91 million).

There can be no assurance that the Legislature will enact the Executive Budget as proposed nor can there be any assurance that the Legislature will enact a budget for the 1994 fiscal year prior to the beginning of the fiscal year. In recent fiscal years, the State has failed to enact a budget prior to the beginning of the State's fiscal year. Because the 1994 Executive Budget contains proposed spending cuts from baseline projections that are greater than in most recent years, delay in enactment of the 1994 fiscal year budget could have greater consequences than similar delays in recent years. Delay in legislative enactment of the 1994 fiscal year budget may reduce the effectiveness of many of the actions proposed to close the potential gap. The 1994 State Financial Plan, when formulated after enactment of the budget, would have to take into account any reduced savings arising from any late budget enactment.

The 1994 Executive Budget would result in sharp reductions in aid to all levels of local government units, from amounts expected. To offset a portion of such reductions, the 1994 Executive Budget contains a package of mandate relief, cost containment and other proposals to reduce the costs of many programs for which local governments provide funding. There can be no assurance, however, that localities that suffer cuts will not be adversely affected, leading to further requests for State financial assistance.

There can be no assurance that the State will not face substantial potential budget gaps in future years resulting from a significant disparity between tax revenues projected from a lower recurring receipts base and the spending required to maintain State programs at current levels. To address any potential budgetary imbalance, the State may need to take significant actions to align recurring receipts and disbursements in future fiscal years.

In June 1990, legislation was enacted creating the New York Local Government Assistance Corporation ("LGAC"), a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments traditionally funded through the State's annual seasonal borrowing. Over a period of the next several years, the issuance of such long-term obligations, to be amortized over no more than 30 years, is expected to result in the elimination of the need for continuing short-term seasonal borrowing for those purposes because the timing of local assistance payments in future years is expected to correspond more closely with the State's available cash flow. The legislation also imposed a cap on the annual seasonal borrowing of the State at \$4.7 billion, less the net proceeds of bonds issued by LGAC and bonds issued to provide for capitalized interest, except in cases where the Governor and the legislative leaders have certified both the need for additional borrowing and a schedule for reducing the resulting outstanding debt to the cap level. If such a borrowing above the cap is undertaken in any fiscal year, it is required by law to be reduced to the cap by the fourth fiscal year after the limit was first exceeded. To date, LGAC has issued its bonds to provide net proceeds of \$3.02 billion and has legislative authorization to issue bonds producing net proceeds of an additional \$354 million during the remainder of the State's 1993 fiscal year. The Governor has recommended authorizing LGAC to issue its bonds to provide net proceeds of up to \$700 million during the State's 1994 fiscal year. Such authorization is subject to approval by the Legislature before LGAC may issue its bonds in the 1994 fiscal year.

On March 26, 1990, Standard & Poor's Corporation ("S&P") downgraded certain State credit obligations including (1) general obligation bonds, (2) commercial paper and (3) moral obligation, lease purchase, guaranteed and contractual obligation debt. On January 13, 1992, S&P reduced its rating on the credit obligations included in (1) and (3) of the previous sentence and continued its rating outlook assessment on State general obligation debt at negative. S&P, on November 12, 1992, affirmed the State's A- rating and continued its negative outlook. Moody's Investors Service ("Moody's"), on June 6, 1990, lowered the ratings assigned to long-term general obligation indebtedness of and obligations fully guaranteed by the State from A1 to A. On January 6, 1992, Moody's reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations to Baa1. On November 16, 1992, Moody's reconfirmed its A rating on long-term general obligation indebtedness of the State. The State's April 28, 1992 issue of tax and revenue anticipation notes ("TRANS") was rated SP-1 by S&P and M1G 2 by Moody's. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Ratings reflect the views of the respective rating agency and explanations of such ratings may be obtained from each of the individual rating agencies. Any action by a rating agency to lower the credit rating on any outstanding indebtedness of the State may have an adverse impact on the market prices of, or on the market for, the Corporation's bonds.

### **Composition of State Cash Receipts and Disbursements**

Substantially all State non-pension financial operations are accounted for in the State's governmental funds group. Governmental funds include: the General Fund, which receives all income not required by law to be deposited in another fund, which for the State's 1993 fiscal year is projected to comprise 55% of total governmental funds receipts; Special Revenue Funds, which receive the preponderance of moneys received by the State from the federal government and other income the use of which is legally restricted to certain purposes, which are projected to account for 37% of total governmental funds receipts in fiscal 1993; Capital Projects Funds, used to finance the acquisition and construction of major capital facilities by the State and to aid in certain capital projects conducted by local governments or public authorities and Debt Service Funds, which are used for the accumulation of moneys for the payment of principal of and interest on long-term debt and to meet lease-purchase and

other contractual-obligation commitments. Receipts in Capital Projects and Debt Service Funds comprise an aggregate of approximately 8% of total projected governmental funds receipts in fiscal 1993. The fiscal 1993 percentage breakdown among the governmental funds has changed from historic trends due, in part, to the reclassification of certain sales tax receipts as described in the following paragraph.

Pursuant to the legislation creating LGAC, the State Comptroller is required to credit the equivalent of one percentage point of the four percent sales and use tax collections to the Local Government Assistance Tax Fund (the "LGATF"), a debt service fund, for purposes of securing debt service on LGAC bonds and notes. To the extent that these moneys are not necessary for the payment of debt service, they are to be transferred from the LGATF to the General Fund and are to be reported in the General Fund as a transfer from other funds, rather than as sales tax receipts. During the State's 1991 and 1992 fiscal years, \$996 million and \$1.435 billion, respectively, in sales and use tax receipts were credited to the LGATF and \$1.500 billion and \$1.528 billion are estimated and recommended to be credited to the LGATF during the State's 1993 and 1994 fiscal years, respectively. In the State's 1991 fiscal year, the amount transferred to the General Fund equaled the amount credited to the LGATF because no payments were required to be made to LGAC. For the 1992 fiscal year, the amount transferred to the General Fund from the LGATF was \$1.315 billion, after providing for the payment of \$120 million to LGAC for the purpose of meeting debt service on its bonds and other cash requirements of LGAC. For the 1993 fiscal year, it is recommended that \$1.277 billion be transferred to the General Fund from the LGATF, after providing for payment of \$223 million to LGAC for debt service and other cash requirements, while \$1.261 billion is recommended to be transferred in the 1994 fiscal year, after payment of \$267 million for debt services and other requirements. An action is pending challenging the constitutionality of LGAC.

The 1994 Executive Budget includes several changes in the manner in which General Fund tax receipts are recorded. Receipts from user taxes and fees are reduced by approximately \$499 million to reflect receipts that are dedicated for (i) highway and bridge capital purposes (\$466 million) and (ii) environmental purposes (\$83 million) which are to be deposited in Capital Projects Funds. Also, business taxes are reduced by \$183 million to reflect tax receipts that are dedicated for transportation purposes and which will be deposited in Special Revenue Funds (\$128 million) and Capital Projects Funds (\$55 million).

Tax receipts generally have accounted for approximately 95% of total receipts in the General Fund. The State's tax structure is comprised of a personal income tax (which is projected to account for approximately 54% of total General Fund tax receipts in fiscal 1993), user taxes and fees, including a general sales and use tax (which are projected to account for approximately 23% of total General Fund tax receipts in fiscal 1993, after reflecting the accounting change discussed in the preceding paragraph), business taxes (which are projected to account for approximately 19% of total General Fund tax receipts in fiscal 1993) and certain other taxes (which are projected to account for approximately 4% of total General Fund tax receipts in fiscal 1993). The State also receives various miscellaneous receipts and federal grants in the General Fund (which are projected to account for approximately 5% of total General Fund receipts in fiscal 1993).

The State classifies total General Fund disbursements into four categories. Grants to local governments (approximately 72% of total General Fund disbursements in fiscal 1993) comprise the largest category of General Fund disbursements. The balance of General Fund disbursements in fiscal 1993 and their share of total General Fund disbursements include State operations (20%), general State charges (7%) and short-term debt service (1%).

Total receipts in the State's governmental funds in the Revised 1993 State Financial Plan are projected to total \$55.383 billion for fiscal 1993, prior to repayment of \$531 million of Deficit Notes, and to be comprised of \$31.296 billion in taxes, \$16.952 billion in federal grants and \$7.135 billion in miscellaneous receipts. The State also anticipates the issuance of \$770 million in general obligation bonds and bond anticipation notes to fund capital projects. Total governmental funds disbursements are projected at \$55.469 billion and consist of \$37.685 billion in grants to local governments, \$13.296 billion in State operations and associated fringe benefits, \$2.592 billion in capital construction and \$1.896 billion in debt service, lease purchase and other similar purposes.

The Governor's 1994 Executive Budget contains an update to the 1993 GAAP-based Financial Plan, which is based on the Revised 1993 State Financial Plan, and which was released on January 19, 1993. The update shows an all governmental fund operating surplus of \$1.287 billion. This includes operating surpluses of \$945 million in the General Fund, \$62 million in Capital Projects Funds, and \$295 million in the Debt Service Funds, as offset, in part, by an operating deficit of \$15 million in the Special Revenue Funds.

The Recommended 1994 State Financial Plan, as revised on February 18, 1993, reflects total governmental funds receipts of \$58.330 billion, before \$184 million from the margin available from 1992-93, to be comprised of \$31.702 billion in taxes, \$18.630 billion in federal grants and \$7.998 billion in miscellaneous receipts. The Recommended 1994 State Financial Plan also reflects the sale of \$761 million in general obligation bonds and notes for capital purposes. The Recommended 1994 State Financial Plan also reflects total governmental funds disbursements of \$59.198 billion to be comprised of \$39.961 billion of grants to local governments, \$13.785 billion in State operations and associated fringe benefits, \$3.261 billion in capital construction and \$2.163 billion in debt service, lease purchase and similar purposes.

The 1994 Executive Budget includes a projection of the 1994 GAAP-based Financial Plan. For all governmental funds such projection reflects an operating surplus of \$597 million, including operating surpluses of \$448 million in the General Fund, \$196 million in Capital Projects Funds and \$92 million in Debt Service Funds, partially offset by a deficit of \$139 million in Special Revenue Funds. On February 18, 1993, the General Fund Surplus was revised downward to \$443 million.

#### **Authorities**

The fiscal stability of the State is related to the fiscal stability of its Authorities, which generally have responsibility for financing, constructing and operating revenue-producing public benefit facilities. Authorities are not subject to the constitutional restrictions on the incurrence of debt which apply to the State itself, and may issue bonds and notes within the limits of, and as otherwise restricted by, their statutory authorization.

State law authorizes financing techniques for Authorities such as: (i) State guarantees of Authority obligations; (ii) lease-purchase and contractual-obligation financing arrangements; and (iii) statutory moral obligation provisions. The State's access to the public credit markets could be impaired if any of its Authorities, particularly those using the financing techniques specified above, were to default on their respective obligations. In addition, certain statutory arrangements provide for State local assistance payments, otherwise payable to localities, to be made to certain Authorities under certain circumstances. The State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to Authorities under these arrangements. However, in the event that such local assistance payments are so diverted, the affected localities could seek additional State funds.

As of December 31, 1992, there was outstanding \$26.4 billion aggregate principal amount of bonds and notes issued by Authorities which were either guaranteed by the State or supported by the State through lease-purchase or contractual-obligation financing arrangements or moral obligation provisions. Debt service on outstanding obligations of an Authority is normally paid out of revenues generated by such Authority's projects or programs, but in recent years, including the 1993 fiscal year, the State has provided special financial assistance, in some cases of a recurring nature, to certain Authorities for operating and other expenses and for debt service pursuant to either its moral obligation indebtedness provisions or otherwise. Additional assistance of this nature is expected to be required in future State fiscal years.

The State's experience has been that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's and Authorities' outstanding bonds and notes may be adversely affected. The Housing Finance Agency and the Urban Development Corporation have in the past required substantial amounts of assistance from the State to meet debt service costs or to pay operating expenses. Further assistance, possibly in increasing amounts, may be required for these, or other, Authorities in the future.

The Metropolitan Transportation Authority ("MTA") oversees the operation of the City's subway and bus lines by the City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, the "Transit Authority" or "TA"). Through MTA's subsidiaries, the Long Island Rail Road Company, the Metro-North Commuter Railroad Company and the Metropolitan Suburban Bus Authority, the MTA operates certain commuter rail and bus lines in the New York City metropolitan area. In addition, the Staten Island Rapid Transit Operating Authority, an MTA subsidiary, operates a rapid transit line on Staten Island. Through its affiliated agency, the Triborough Bridge and Tunnel Authority (the "TBTA"), the MTA operates certain intrastate toll bridges and tunnels. Because fare revenues are not sufficient to finance the mass transit portion of these operations, the MTA has depended and will continue to depend for operating support upon a system of State, local government and TBTA support, and, to the extent available, federal operating assistance including loans, grants and subsidies.

The TA and the commuter railroads, which are on a calendar fiscal year, ended 1992 with their budgets balanced on a cash basis. The TA had a closing cash balance of approximately \$25 million, and the commuter railroads had a closing cash balance of approximately \$186 million.

Over the past several years the State has enacted several taxes—including a surcharge on the profits of banks, insurance corporations and general business corporations doing business in the 12-county region served by the MTA (the "Metropolitan Transportation Region") and a special one quarter of 1% regional sales and use tax—that have provided additional revenues for mass transit purposes, including assistance to the MTA. The surcharge on profits, which expires in November 1993, yielded approximately \$507 million in calendar year 1992. Of that amount, the MTA was entitled to receive approximately 90%, or approximately \$456 million. These amounts include some receipts resulting from a change in State law that requires taxpayers to make estimated payments on their surcharge liability. In addition, legislation enacted in 1987 creates a further source of recurring revenues for the MTA. This legislation requires that the proceeds of a one-quarter of one percent mortgage recording tax paid on certain mortgages in the Metropolitan Transportation Region, that theretofore had been paid to the State of New York Mortgage Agency, be deposited in a special MTA fund. These tax proceeds may be used by the MTA for either operating or capital (including debt service) expenses. The 1987 legislation also requires the MTA to pay approximately \$25 million annually from its existing recurring mortgage recording tax revenues, of which \$20 million is to be paid to the State for highway purposes in the Metropolitan Transportation Region (other than the City) to the extent revenues are available therefor, and the remaining \$5 million of which is to be paid to certain counties in the Metropolitan Transportation Region.

For 1993, the TA has projected a budget gap of about \$266 million. The TA has under consideration a plan for closing this gap without raising the transit fare that relies significantly on State and City actions that have not been taken and on legislation that has not been enacted. The MTA Board has approved an increase in TBTA tolls which took effect January 31, 1993. Since TBTA operating surpluses help subsidize TA operations, the TBTA toll increase could reduce the TA's budget gap. In addition, the MTA Board has also authorized the initial steps in the process to raise TA fares by 25 cents to take effect no later than April 4, 1993, which, if instituted, could reduce the gap by an additional \$185 million. If any of the assumptions used in making these projections prove incorrect, the TA's gap could grow larger and the MTA would be required to seek additional State assistance, raise fares even higher or take other actions.

Two serious accidents in December 1990 and August 1991, both of which caused fatalities and many injuries, have given rise to substantial claims for damages against both the TA and the City.

In 1981, the State Legislature authorized procedures for the adoption, approval and amendment of a series of five-year plans for a capital program designed to upgrade the performance of the MTA's transportation systems and to supplement, replace and rehabilitate facilities and equipment. The State Legislature also granted certain additional bonding authorization for the capital program. As required by such law, the MTA submitted and has received approval from the MTA Capital Program Review Board (the "CPRB") of a 1987-91 Capital Program. As amended by the CPRB in April 1991, the 1987-91 Capital Program totals \$8.5 billion. The TA portion of the MTA 1987-91 Capital Program totals

\$6.5 billion which included as a funding source proceeds from the proposed sale of the New York Coliseum. On May 30, 1992, a 1987-91 Capital Program amendment submitted to the CPRB was deemed approved which reduced the total program by about \$294 million, which primarily reflects the deferral of the proposed Coliseum sale, and which includes only those projects that were committed or had legal or financial agreements in place by December 31, 1991.

In October 1991, the MTA submitted for CPRB approval a 1992-1996 Capital Program proposal with projected total spending of \$10.0 billion, of which the TA portion was \$7.7 billion. Because of questions about how the funding gaps in the MTA's proposed 1992-96 Capital Program would be closed, the CPRB disapproved the proposal "without prejudice" on December 27, 1991. Pending the approval of a 1992-96 Capital Program, the MTA proceeded with 1992 capital projects for which funding was available under existing authority. On March 8, 1992, the Authority resubmitted revised 1992-96 Capital Program proposals, which identified \$6.7 billion in potential funding, most of which would require action by various levels of government. The resubmission included a funding gap of \$3.3 billion, for which sources had not yet been identified. On April 10, 1992, the CPRB disapproved the resubmission "without prejudice." Subsequently, the MTA submitted to the CPRB a proposed one-year capital program for 1992 consisting of \$1.635 billion of projects for the TA and commuter systems combined. The MTA's submission was consistent with the enacted 1992-93 State Budget. On May 28, 1992 the one-year capital program was deemed approved by the CPRB. As required by the enacted 1992-93 State Budget, the MTA submitted to the CPRB on October 1, 1992 an amendment to such one-year plan to cover projects and related sources of funding for the five-year period commencing January 1, 1992. The amendment provides for a total 1992-96 Capital Program of \$9.578 billion and identified total funding sources of \$5.882 billion. On December 30, 1992, the amendment was disapproved "without prejudice." There can be no assurance that the necessary governmental actions for a 1992-96 Capital Program will be taken, that the additional funding sources will be identified, that sources currently identified will not be decreased or eliminated, or that the Program, or parts thereof, will not be delayed or reduced. If the Capital Program is delayed or reduced, ridership and fare revenues may decline, which could, among other things, impair the MTA's ability to meet its operating expenses without additional State assistance.

On February 26, 1993, various building systems at the World Trade Center located in New York City sustained damage as a result of an explosion in the parking garage under the hotel at the World Trade Center. The Port Authority of New York and New Jersey, the owner and operator of the World Trade Center, has announced that the structural integrity of the World Trade Center was not significantly affected by such explosion. The Corporation is unable to determine when the World Trade Center will be fully operational or what liability, if any, to the Port Authority or others may arise with respect to the explosion and its aftermath.

### Localities

Municipalities and school districts have engaged in substantial short-term and long-term borrowings. In 1991, the total indebtedness of all localities in the State was approximately \$31.6 billion, of which \$16.8 billion was debt of the City; a small portion (approximately \$39.0 million) of the \$31.6 billion of indebtedness represents borrowing to finance budgetary deficits and was issued pursuant to enabling State legislation. State law requires the Comptroller to review and make recommendations concerning the budgets of those local government units other than the City authorized by State law to finance deficits. Fifteen localities had outstanding indebtedness for deficit financing at the close of their respective fiscal years ending in 1991. If the State, the City or any of the Authorities were to suffer serious financial difficulties jeopardizing their respective access to the public credit markets, the marketability of notes and bonds issued by localities within the State could be adversely affected. Localities also face anticipated and potential problems resulting from certain pending litigation, judicial decisions and long-range economic trends. The longer-range problems of declining urban population, increasing expenditures and other economic trends could adversely affect localities and require increasing State assistance in the future.

Certain localities in addition to the City could have financial problems leading to requests for additional State assistance during the State's 1994 fiscal year and thereafter.

## Litigation

Certain litigation pending against the State or its officers or employees could have a substantial or long-term adverse effect on State finances. Among the more significant of these cases are those that involve: (i) the validity of agreements and treaties by which various Indian tribes transferred title to the State of certain land in Central and Upstate New York; (ii) certain aspects of the State's Medicaid rates and regulations, including reimbursements to providers of mandatory and optional Medicaid services; (iii) the treatment provided at several State mental hygiene facilities; (iv) contamination in the Love Canal area of Niagara Falls; (v) an action against State and New York City officials alleging that the present level of shelter allowance for public assistance recipients is inadequate under statutory standards to maintain proper housing; (vi) alleged employment discrimination by the State and its agencies; (vii) challenges to the practice of reimbursing certain Office of Mental Health patient care expenses from the client's Social Security benefits; (viii) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; (ix) a challenge to the State's possession of certain funds taken pursuant to the State's Abandoned Property Law; (x) alleged responsibility of State officials to assist in remedying racial segregation in the City of Yonkers; (xi) an action in which the State is a third party defendant for injunctive or other appropriate relief concerning liability for the maintenance of stone groins constructed along certain areas of Long Island's shoreline; (xii) actions challenging the constitutionality of legislation enacted during the 1990 legislative session which changed the actuarial funding methods for determining contributions to State employee retirement systems; (xiii) actions challenging legislation enacted in 1990 which requires the withholding of certain amounts of pay from State employees until their separation from State employment; (xiv) an action challenging legislation enacted in 1990 which had the effect of deferring certain employer contributions to the State Teachers' Retirement System and reducing State aid to school districts by a like amount; (xv) a challenge to the constitutionality of specified financing programs authorized by Chapter 190 of the Laws of 1990 and which seeks the recall and refunding of obligations of certain public authorities issued pursuant to such legislation; (xvi) a challenge to the constitutionality of financing programs of the Thruway Authority authorized by Chapters 166 and 410 of the Laws of 1991; (xvii) challenges to the sufficiency of the fiscal year 1991-92 judiciary budget; (xviii) an action challenging the constitutionality of the New York Local Government Assistance Corporation; (xix) challenges to the delay by the State Department of Social Services in making two one-week Medicaid payments to the service providers; (xx) challenges by commercial insurers, employee welfare benefit plans, and health maintenance organizations to provisions of Section 2807-c of the Public Health Law which impose 13%, 11%, and 9% surcharges on inpatient hospital bills paid by such entities; (xxi) challenges to the promulgation of the State's proposed procedure to determine the eligibility for and nature of home care services for Medicaid recipients; and (xxii) a challenge to State implementation of a program which reduces Medicaid benefits to certain home-relief recipients.

Adverse developments in those proceedings or the initiation of new proceedings could affect the ability of the State to maintain a balanced 1992-93 and 1993-94 State Financial Plans. An adverse decision in any of the above cited proceedings could exceed the amount of the Revised 1992-93 and the Recommended 1993-94 State Financial Plans reserves for the payment of judgments and, therefore, could affect the ability of the State to maintain balanced 1992-93 and 1993-94 State Financial Plans.



## **PART 8 – CERTAIN DEVELOPMENTS AFFECTING THE CITY**

Although bonds of the Corporation are not obligations of the City, financial developments with respect to the City may affect the market for, or market prices of, the Corporation's securities. The Corporation believes that its ability to repay the 1991 Resolution Bonds is not dependent upon the financial condition of the City. However, economic and demographic conditions in the City may affect the levels of Sales Tax receipts and Per Capita Aid. During the time the Series C Bonds are outstanding, financial developments and other matters concerning the City will be the subject of reviews and reports by, among others, the Corporation, the City Comptroller, Office of the State Deputy Comptroller for The City of New York ("OSDC") and the staff of the Control Board. See "PART 9 – VARIOUS CONTROL PROGRAMS".

This section discusses the City's recent financial operations, results for the 1992 fiscal year, the budget for the City's 1993 fiscal year, the four-year financial plan for the City and some of the financial difficulties the City faces. It provides only a brief summary of the complex factors affecting the City's financial condition. This section is based in substantial part on information reported to the Corporation by the City, the staff of the Control Board and OSDC, or as presented in the City's four-year financial plans or the official statements prepared by the City in connection with the issuance of its securities, or contained in other reports and statements referred to herein.

### **Fiscal Years 1975-1992**

During 1975 the City became unable to market its securities and entered a period of extraordinary financial difficulties. In response to this crisis, the State created the Corporation and enacted the Emergency Act, which created the Control Board for the purposes of overseeing the City's fiscal affairs and facilitating its return to the public credit markets. See "PART 9 – VARIOUS CONTROL PROGRAMS".

In the first years of the fiscal crisis, the City took a number of steps which were intended to enable it to balance its budget, to reform its accounting procedures, and to regain access to the public credit markets. Subject to the oversight powers of the Control Board, the Corporation and OSDC, the City, among other things, reduced the size of its workforce, began charging tuition at the City University of New York and reached labor settlements consistent with newly-established guidelines. The City also received federal and State aid over and above previously existing levels. Because it became apparent in 1978 that the City's fiscal difficulties would continue, additional measures were taken at such time, including an extension of the powers of the Control Board, an increase in the debt issuance authorization of the Corporation and the procurement of federal guarantees for \$1.65 billion of City bonds. As a result of these efforts, as well as a strengthened local economy and the positive effects of inflation on economically sensitive taxes, the City was able to gradually eliminate annual operating deficits as calculated in accordance with GAAP, estimated to be approximately \$1.87 billion for fiscal 1976, by the 1981 fiscal year, one year earlier than required by federal and State law.

Since fiscal 1978, as required by the Emergency Act, the City's annual financial statements have been audited by independent certified public accountants. The City has reported balanced operating results calculated in accordance with GAAP for each of its 1981 through 1992 fiscal years. Since the middle of fiscal 1990, the City has from time to time determined it necessary to reduce substantially its revenue expectations and increase expenditures and compensate for such decreased collections and increased expenditures through service reductions, increased tax rates or new taxes or other actions designed to bring expenditures in line with revenues.

For the fiscal year ending June 30, 1992, the City reported audited operating revenues of \$29.022 billion and expenditures of \$29.018 billion, on a GAAP basis.

### **Fiscal Years 1993 and 1993-1996 Financial Plan**

Over the past three years, the rate of economic growth in the City has slowed substantially, and the City's economy is currently in recession. The City projects, and its current four-year financial plan assumes, a recovery by the end of the 1993 calendar year.

On June 11, 1992, the City submitted to the Control Board a financial plan for the 1993 through 1996 fiscal years (the "June Plan") which projected a GAAP balanced budget for the 1993 fiscal year with \$29.508 billion of revenues and expenses and projected budget gaps of \$1.597 billion, \$1.697 billion and \$2.246 billion for the 1994 through 1996 fiscal years, respectively.

The City presented its first quarter modification to the June Plan on November 19, 1992 (the "November Plan"), which reflected decreases in revenues and increases in expenditures for the 1994, 1995 and 1996 fiscal years aggregating \$58 million, \$287 million and \$345 million, respectively in additional budget gap projections, which projected budget gaps of \$1.655 billion for fiscal 1994, \$1.984 billion for fiscal 1995, and \$2.591 billion for fiscal 1996.

On January 29, 1993, the City released its second quarter modification to the June Plan (the "January Plan"). The January Plan projects revenues and expenditures for the 1993 fiscal year balanced in accordance with GAAP and reflects changes in actual receipts and in forecasted revenues and expenditures as a result of changes in circumstances since June 1992. For the 1993 fiscal year, the January Plan includes additional gap-closing actions to offset a potential \$91 million budget gap, resulting principally from \$321 million in additional labor costs and other new and mandated expenditures reflecting the impact of the recently negotiated tentative collective bargaining agreements, which were partially offset by \$319 million in additional non-property tax revenues. The additional gap-closing measures include delays in hiring and other savings by City agencies.

The January Plan also sets forth projections and outlines a proposed gap-closing program for the 1994 through 1996 fiscal years to close projected budget gaps of \$2.1 billion, \$3.1 billion and \$3.8 billion, respectively. These actions include increased revenues and reduced expenditures from agency actions aggregating \$623 million, \$709 million and \$1.0 billion in the 1994 through 1996 fiscal years, respectively, including productivity savings and savings from restructuring the delivery of City services and service reductions; other City actions in the 1994 fiscal year totaling \$415 million, including \$215 million resulting from the sale of delinquent real property taxes and \$110 million of discretionary transfers from the 1993 fiscal year; \$187 million of reduced debt service costs in the 1994 fiscal year resulting from refinancings and other actions; \$250 million, \$375 million and \$450 million in increased Federal assistance in the 1994, 1995 and 1996 fiscal years, respectively; a continuation of the personal income tax surcharge, resulting in revenues of \$137 million, \$404 million, and \$427 million in the 1994 through 1996 fiscal years respectively; a proposed increase in the non-resident earnings tax and certain excise taxes, the imposition of new City taxes on wine and tobacco products (other than cigarettes) and on certain carbon fuels and the recapture of unredeemed bottle deposits, totaling \$159 million, \$225 million and \$225 million in the 1994 through 1996 fiscal years, respectively; savings from the Governor's proposed State cost containment and assumption of Medicaid costs program, the proposed "New York, New York" program involving various mandate relief measures and the reallocation of State education aid among various localities, aggregating \$364 million, \$508 million and \$571 million in the 1994 through 1996 fiscal years, respectively; other City actions, including increased user fees, of \$648 million and \$850 million in the 1995 and 1996 fiscal years, respectively, and savings from additional State actions aggregating \$250 million in each of the 1995 and 1996 fiscal years.

Various actions proposed in the January Plan, including the proposed continuation of the personal income tax surcharge, the proposed City tax program, the Medicaid and "New York, New York" programs and the proposed reallocation of State education aid, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. The State Legislature failed to approve the proposed Medicaid and certain "New York, New York" programs and the proposed reallocation of State education aid in the last session and has in the past failed to approve tax proposals similar to the proposed City tax program. The January Plan assumes that these proposals will be approved by the State Legislature during the 1993 fiscal year. If these actions cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan.

In addition to the gap-closing actions described above, the City has identified a contingency program for the 1994 fiscal year which could be implemented in the event that certain of the actions contained in the January Plan are not fully achieved. This proposed program includes \$168 million in

additional service reductions and an additional \$300 million resulting from the transfer to a proposed parking authority of the City's parking meter and garage operations, which will be offset in subsequent years by the loss of revenues attributable to the operations transferred to the parking authority. The creation of the parking authority requires the enactment of legislation by the State.

The City Comptroller issued a report on December 15, 1992 on the November Plan that projected potential budget gaps in fiscal years 1994 through 1996 of approximately \$1.1 billion, \$1.3 billion and \$1.3 billion, respectively, after taking into account the City's gap-closing program set forth in the November Plan. The City Comptroller is expected to issue a report on the January Plan in the near future that is expected to project potential budget gaps in fiscal years 1994 through 1996 of approximately \$950 million, \$2.0 billion and \$2.4 billion, respectively, after taking into account the City's gap-closing program set forth in the January Plan.

Nearly all of the City's collective bargaining agreements with the large municipal unions representing civilian and uniformed employees expired during the 1992 fiscal year. On January 11, 1993, the City announced a tentative settlement with a coalition of municipal unions, including Local 237 of the International Brotherhood of Teamsters ("Local 237"), District Council 37 of the American Federation of State, County and Municipal Employees ("District Council 37") and other unions covering approximately 44% of the City's workforce. The tentative settlement includes a total net increase of 8.25% over a 39-month period ending March 31, 1995 for most such employees, and is subject to ratification by the members of the unions.

The January Plan reflects the costs associated with the tentative settlement and provides for similar increases for all other City-funded employees. The January Plan also provides for the cost of wage increases for those uniformed employees who have not reached agreement with the City for the 1992 fiscal year, based on prior police officers arbitration. The January Plan provides no additional wage increases for City employees after the 1995 fiscal year. Each 1% wage increase for all employees commencing in the 1995 fiscal year would cost the City an additional \$56 million for the 1995 fiscal year and \$152 million for the 1996 fiscal year above the amounts provided for in the January Plan. The terms of eventual wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement.

As a result of the national and regional economic recession, the State's tax receipts for its 1991 and 1992 fiscal years were substantially lower than projected. In addition, the Governor's Executive Budget for the State's 1993 fiscal year (commencing April 1, 1992) identified a potential budgetary imbalance for the State's 1993 fiscal year of \$4.8 billion (after providing for repayment of \$531 million of short-term deficit notes). To correct such potential imbalances, the State took various actions for its 1992 and 1993 fiscal years, which included reductions in State aid to localities from amounts previously projected. On January 19, 1993, the third quarterly update for the 1993 State Financial Plan was submitted to the Legislature. Such revision projects that the State will complete the State's 1993 fiscal year with a cash-basis positive balance of \$184 million in the State's General Fund (the major operating fund of the State).

The Governor released the recommended Executive Budget for the State's 1994 fiscal year on January 19, 1993. The recommended 1994 State Financial Plan projects a balanced General Fund. The recommended 1994 Executive Budget for the State would result in sharp reductions in aid to local governments, including the City, from amounts expected. The Mayor's Executive Budget for the City's 1994 fiscal year, to be submitted after the scheduled adoption of the State's budget for the State's 1994 fiscal year, will address the impact on the City's 1994 fiscal year of whatever local aid reductions may ultimately be adopted by the State. In the event of any further significant reduction in projected State revenues from the amounts projected in the State's Executive Budget, there could be an adverse impact on the timing and amounts of State aid payments to the City in the future.

There can be no assurance that the Legislature will enact the State's Executive Budget as proposed, nor can there be any assurance that the Legislature will enact a budget for the State's 1994 fiscal year prior to the beginning of the State's fiscal year. In recent fiscal years, the State has failed to

enact a budget prior to the beginning of the State's fiscal year. In addition, should State revenues fall below, or spending increase above, projected levels for the State's 1994 fiscal year, the State could further reduce aid to localities from amounts previously projected.

If the City incurs an operating budget deficit in excess of \$100 million in any fiscal year or if the State and City Comptrollers cannot, on the basis of facts existing at the time such a certificate is due, jointly certify that the City is able to meet its financing requirements in the public credit markets, or if certain other conditions exist, a "Control Period" under the Emergency Act is required to be reimposed. During a Control Period, the Control Board must, among other things, review and approve the City's four-year financial plans and each modification thereof. A Control Period was in effect from fiscal 1976 through fiscal 1986. See "PART 9 - VARIOUS CONTROL PROGRAMS - Control Board".

The City Comptroller issued a report on the state of the City's economy on December 15, 1992. The report projected that the City's economy would slowly follow the national economy out of recession. The report noted that, from the peak employment level in April 1989 through September 1992, the City lost 386,000 jobs. The report stated that job loss, while continuing, had decelerated and that the productivity of persons employed in the City had risen rapidly in 1992. The report also noted that Gross City Product has stopped declining in 1992. The report projected that job losses would continue to occur in the City in 1993, but that Gross City Product would rise. The report noted that increased productivity and Gross City Product had led to raises for those persons with jobs, but that new jobs were not being created for the unemployed. The City Comptroller warned that this phenomenon was increasing the disparity between the employed and the unemployed and that the City needed to stimulate job growth to allow the unemployed to become productive members of the economy.

On December 22, 1992, the staff of the Control Board issued a report on the financial plan published on November 19, 1992 (the "November Financial Plan"). The staff concluded that, while the City was likely to balance its budget for the 1993 fiscal year, the actions outlined in the November Financial Plan will not achieve structural balance. The staff identified potential gaps of approximately \$900 million in each of the 1994 through 1996 fiscal years, after taking into account what the staff considered to be achievable elements of the City's gap-closing program. Identified in the report as the sources of these major risks are actions that require State and/or Federal approval, unspecified City gap-closing actions, estimates that could result in lower than planned revenues from property taxes and the City lottery and higher than planned overtime costs. The report also noted additional risks, including the potential for additional transit funding, capital maintenance needs and uncertainties relating to labor costs that could increase the magnitude of the projected gaps. The staff stated that the greater threat to structural balance is the cost of debt service.

On December 17, 1992, OSDC issued a report on the November Financial Plan. The report found that the City should achieve a balanced budget in the 1993 fiscal year, but projected remaining budget gaps of \$694 million, \$646 million and \$519 million in fiscal year 1994, 1995 and 1996, respectively, after taking into account the City's planned gap-closing actions. These remaining gaps result from a number of factors, including lower revenues from property taxes and the City lottery than assumed in the November Financial Plan, higher expenditures for certain social services and overtime costs than assumed in the November Financial Plan, and uncertainties relating to State and Federal aid and to State Legislative approval of proposed tax increases. The report also noted additional risks including a number of other gap-closing initiatives, valued at \$400 million in fiscal year 1994 and at substantially larger amounts in subsequent years, that were largely unspecified and therefore uncertain of attainment, the potential for revenues from property taxes to be even lower than assumed in OSDC estimates, and the possibility that wage increases will not be offset by productivity increases.

The OSDC report noted that the City's economy was finally showing signs of recovery, but that a rapid and sustained increase in tax revenues, as occurred when the City emerged from its last recession in the early 1980s, was unlikely to be repeated. The report concluded that there will be ever increasing pressures to control spending growth to help balance future budgets, but that such efforts will be extremely difficult without a more aggressive approach to improving the productivity of the City's workforce.

The City Comptroller, OSDC and the Control Board are expected to issue reports commenting on the Financial Plan.

## Capital Program

On January 6, 1993 the City announced a Ten-Year Capital Strategy for fiscal years 1994-2003 (the "1993 Capital Strategy") totaling \$51.3 billion, of which all but \$6.6 billion will be financed by City funds. The City-funded portion of the 1993 Capital Strategy is projected to be financed by \$31.1 billion of the City's general obligation bonds; by \$9.9 billion of water and sewer revenue bonds issued by the New York City Municipal Water Finance Authority (the "Sewer and Water Authority"); by \$2.3 billion of bonds issued by the Dormitory Authority of the State of New York (the "Dormitory Authority") to finance courts facilities; and by \$1.3 billion of bonds issued by the Health and Hospitals Corporation to finance its facilities. A large part of the balance of the funds, approximately \$6.6 billion, required for the 1993 Capital Strategy is scheduled to be provided from capital grants to be made by the State and the federal government.

The City's capital plan and financing program for fiscal years 1993-1997, reflected in the City's Financial Plan Modification released January 29, 1993, projects the issuance of bonds totaling \$22.764 billion during the period, including \$16.675 billion of general obligation bonds, \$5.510 billion of water and sewer revenue bonds and \$579 million in bonds of the Health and Hospitals Corporation. To date in fiscal year 1993 the City has issued \$2.791 billion in general obligation bonds of \$4.832 billion projected to be issued in fiscal year 1993; and the New York City Municipal Water Finance Authority (the "Water and Sewer Authority") has issued \$1.266 billion of \$1.532 billion of its bonds projected for the fiscal year.

## Litigation

The notes to the City's audited financial statements for the 1992 fiscal year report that the City is a defendant in a significant number of lawsuits pertaining to material matters including those claims asserted which are incidental to performing routine governmental and other functions. As of June 30, 1992, claims in excess of \$341 million were outstanding against the City for which the City estimated its potential future liability to be \$2.3 billion. The 1993-1996 Financial Plan includes a provision for judgments and claims, other than the real estate tax certiorari proceedings described below, in the amounts of \$219 million, \$222 million, \$228 million, and \$238 million for the 1993 through 1996 fiscal years, respectively.

Numerous real estate tax certiorari proceedings alleging overvaluation, inequality and illegality are presently pending against the City. In response to these actions, State legislation was enacted in December 1981 which, among other things, authorizes the City to assess real property according to four classes and makes certain evidentiary changes in real estate tax certiorari proceedings. Based on historical settlement activity, the City estimates its potential future liability for outstanding certiorari proceedings to be \$242 million at June 30, 1992. Provision has been made in the 1993-1996 Financial Plan for estimated refunds for overpayments of real estate taxes in the amount of an average of \$123.75 million in each of the 1993 through 1996 fiscal years.

Certain litigation concerning the City or its officers or employees could have a substantial or long-term adverse effect on City finances. Among the more significant of these proceedings are those that involve: (i) the certification by the State Board of Equalization and Assessment of certain property class ratios; (ii) the assessment ratio imposed by the City on locally assessed class three utility property; (iii) a challenge to the City's denial of an application for a special permit to transfer development rights associated with Grand Central Terminal; (iv) claims against the City for damages arising out of an explosion of a Con Edison steam pipe which occurred in Gramercy Park on August 10, 1989; (v) claims against the City for damages arising out of a water main break and electrical blackout that occurred on August 10, 1983; (vi) claims that shelter allowances provided to those who receive welfare benefits through the AFDC program are inadequate; (vii) a claim by numerous sleep-in home attendants that they were improperly underpaid; (viii) claims by various homeless groups and individuals that the City fails to provide them with proper housing and services; (ix) allegations that the City has failed to abate lead paint conditions in residential buildings; (x) allegations that the City's real estate tax levy for fiscal year 1992 is excessive; (xi) allegations that the City improperly fails to provide health benefits to the unmarried, domestic partners of Board of Education employees; (xii) claims by tenants challenging the City's right to vacate unsafe in rem properties and asserting that the City must main-

tain such properties in accordance with building codes; and (xii) a challenge to certain surcharges used to fund State bad debt and charity care pools which reimburse the City for a portion of the cost of uncompensated health care.

#### **Federal Bankruptcy Law**

If the City's cash resources are insufficient to meet its obligations, federal and State statutes provide for certain remedies under Chapter 9 of the Federal Bankruptcy Code. Chapter 9 permits any State political subdivision or agency to file a petition for relief under its provisions if the subdivision or agency is authorized to do so by State law. Both the City and the Control Board (on behalf of the City) are so authorized, and either could file such a petition if the City were (i) insolvent or unable to meet its obligations as they mature; (ii) desirous of effecting a plan to adjust its debts; and (iii) able to meet the other prerequisites for filing a Chapter 9 petition with respect to negotiations between the City and its creditors and other matters. Any plan to adjust the City's debts would become effective only upon court approval, after the requisite approval by creditors of the City has been obtained.

Although the filing of such petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a material adverse effect on the Corporation's ability to repay its obligations including the Series C Bonds. The filing of such a petition, as with other financial developments with respect to the City, might affect the market for and market prices of the Corporation's securities.

## PART 9 – VARIOUS CONTROL PROGRAMS

This Part describes the powers of the Corporation to aid the City, the requirements imposed upon the City by the Act and the Emergency Act and the powers of the Corporation and the Control Board to review and take actions with respect to the City's compliance with such requirements.

### The Corporation

The Act authorizes the Corporation to purchase obligations of the City to finance portions of the City's capital program. At the time the Corporation pays the City for City obligations, the City is required to agree to observe and perform a number of statutory conditions which the Corporation may modify from time to time, but may not waive. The Act provides that the statutory conditions, as modified by the Corporation and agreed to by the City, shall cease to apply when all bonds and notes of the Corporation have been repaid or such payment is provided for as specified in the Act.

The statutory conditions are designed to: (i) reform and unify the City's system of accounting; (ii) provide independent review of the City's expenditures; and (iii) establish limits and controls over the City's debt-incurring power. To date, the City has complied with these conditions, which may be briefly summarized as follows:

(a) The City has adopted as its method of accounting the accounting principles permitted by State law. The City's audited financial statements provided to the Corporation for the City's 1978 through 1991 fiscal years were prepared, and those to be prepared for each subsequent fiscal year are to be prepared, in accordance with GAAP, with the adjustments necessary to show results in accordance with the accounting principles permitted by State law, for fiscal years through 1981.

(b) The Act requires the City to comply with provisions of the Emergency Act relating to balanced budgets, provisions for debt service and other financial requirements. The City is required to submit its proposed operating budgets (and any subsequent increases in expenditures therein) and operations reports for each fiscal year and each quarter to the Corporation for review to determine whether the City is adhering to an operating budget in which revenues equal or exceed expenditures under the accounting principles permitted by State law.

(c) The Act sets forth limitations for the issuance by the City of its short-term notes. The Corporation is required to enforce these limitations by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates these limitations and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation believes that these limitations will not prevent the City from issuing any short-term obligations to meet its seasonal financing needs.

If the Board of Directors of the Corporation determines, after review of the City's books and records and consultation with the Mayor, that the City's operating budget will not be balanced in accordance with State law, or that any of the conditions summarized above have not been fulfilled or should be modified, the Corporation must notify the Governor, the Legislature, the Mayor and certain other State and City officials and must disclose such determinations to the public.

### Control Board

The Control Board, created pursuant to the Emergency Act in 1975, is composed of the Governor and the Comptroller of the State, the Mayor and the Comptroller of the City and three appointees of the Governor. The three appointees to the Control Board are Heather L. Ruth, Robert R. Kiley and Stanley S. Shuman. Allen J. Proctor is the Executive Director of the Control Board. OSDC assists the Control Board and the Corporation in carrying out their functions. Cornelius F. Healy, Deputy Comptroller for Municipal Affairs, is also acting as State Deputy Comptroller for New York City.

Certain powers of the Control Board are exercisable only during a Control Period, as defined in the Emergency Act. On June 30, 1986, the Control Period terminated upon the happening of certain specified events set forth in the Emergency Act. Those events were: (i) the termination of all federal guarantees of City bonds; (ii) the determination by the Control Board that the City had adopted and

adhered to an operating budget balanced in accordance with GAAP for each of the three immediately preceding fiscal years; and (iii) the joint certification by the State and City Comptrollers that substantially all of the City's financing requirements had been, and for the next fiscal year were likely to be, met in the public credit markets.

During a Control Period, the four-year financial plans for the City and the Covered Organizations (as defined in the Emergency Act), including modifications thereof, are subject to review and approval by the Control Board. In addition, during a Control Period, the Control Board's responsibilities also include the review and approval of proposed contracts and certain obligations of the City and the Covered Organizations and, in coordination with the Corporation, the approval of long-term and short-term borrowings by the City and any Covered Organization.

Even though the Control Period has terminated, until the statutory expiration of the Emergency Act no later than July 1, 2008, the City is required to develop a four-year financial plan each year and to modify the plan as changing circumstances require. During this period, the powers of the Control Board include the power: (i) to review, but not to approve or disapprove, the City's four-year financial plan and the modifications thereof; (ii) to review the quarterly reports from the City Comptroller setting forth the debt service requirements on all bonds and notes of the City and the Covered Organizations for the following quarter; and (iii) to review, but not to approve or disapprove, certain contracts and obligations of the City and the Covered Organizations in order to determine whether they comply with the requirements of the City's financial plan. In addition, the Control Board maintains its authority to review the operations of the City and the Covered Organizations, audit their compliance with the financial plan and obtain information regarding their financial condition and needs. On June 27, 1986, a Memorandum of Understanding was entered into under which the City agreed to submit to the Control Board for review contracts of the City and the Covered Organizations, the City's four-year financial plans and modifications thereof, and such other information as may be necessary or desirable to enable the Control Board to fulfill its obligations subsequent to the termination of a Control Period.

A Control Period must be reimposed by the Control Board at such times and for such durations as are made necessary by the actual (or substantially likely and imminent) occurrence of any of the following events: (i) the failure of the City to pay principal or interest on any of its notes or bonds when due and payable; (ii) the incurrence by the City of an operating budget deficit in excess of \$100 million; (iii) the issuance by the City of notes in violation of the limitations on short-term borrowings set forth in the Emergency Act; (iv) the violation by the City of any provision of the Emergency Act that substantially impairs the ability of the City to pay principal or interest on bonds or notes when due and payable or to adopt or adhere to a balanced budget; or (v) the issuance by the State and City Comptrollers of a joint certificate to the effect that they could not, on the basis of facts existing at the time of such certification, make the joint certification concerning the City's ability to meet its financing requirements in the public markets required to terminate a Control Period.

When no Control Period is in effect, the Control Board is required to consider at least annually whether, in its judgment, any of the specified events has occurred. On August 1, 1991, the Control Board determined that none of the specified events had occurred during the 1991 fiscal year. No Control Period may extend beyond the earlier of July 1, 2008 or the date on which no notes or bonds containing the 1978 State Covenant remain outstanding.



## PART 10 -- AGREEMENT OF THE STATE OF NEW YORK

In the legislation which established the Corporation in 1975, the State pledged to and agreed with the owners of the Corporation's bonds that the State will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with owners of any such bonds, or in any way impair the rights and remedies of such owners, until any such bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such owners, are fully met and discharged. The Corporation has included such pledge in the 1991 General Bond Resolution, as well as in the First and Second General Bond Resolutions.

In addition, pursuant to legislation enacted in 1978, the City is authorized and the Corporation is required to include the 1978 State Covenant in any agreement with owners or guarantors of their notes or bonds. By the terms of the 1978 State Covenant, the State agrees not to take any action that will (a) substantially impair the authority of the Control Board during a Control Period to approve, disapprove or modify any financial plan or modification, to approve or disapprove certain contracts of the City or Covered Organizations, to approve or disapprove proposed borrowings of the City or Covered Organizations, and to establish procedures for deposits to and disbursements from the board fund of the Control Board; (b) substantially impair the authority of the Control Board to review financial plans and modifications, contracts and proposed borrowings of the City or Covered Organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the Control Board so that a majority of the voting members are not elected State officials or appointees of the Governor; (e) terminate the existence of the Control Board before the earlier of July 1, 2008 or the date when all notes or bonds containing the 1978 State Covenant are no longer outstanding and there is no longer effective or outstanding any federal guarantee; (f) substantially modify the requirement that the City's financial statements be independently audited; or (g) alter the definition of Control Period or substantially alter the authority of the Control Board to reimpose or terminate a Control Period. The Emergency Act provides that the pledge and agreement of the State shall cease to be effective when notes and bonds subject to the pledge are no longer outstanding or when sufficient moneys have been set aside for their payment.

In the opinion of Bond Counsel, while the matter is not free from doubt, the 1978 State Covenant is enforceable, provided a court would hold that the pledge is an "important security provision" of the bonds, "subject at all times to the proper exercise of the State's reserved police power." The enforceability of the 1978 State Covenant is subject to various factual requirements and legal uncertainties and there can be no assurance that any purchaser seeking to enforce the 1978 State Covenant will be able to meet such factual requirements or that such legal uncertainties will be resolved in favor of such enforcement.

**PART 11 – MANAGEMENT**

Under the Act, the Corporation is administered by a Board of Directors (the “Board”), consisting of nine directors. All of the directors are appointed by the Governor with the advice and consent of the State Senate; four of the directors are appointed upon written recommendation of the Mayor. The Act also provides for the appointment of representatives to the Board (the “Representatives”) by certain State or City officials. 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 State Comptroller or his representative is entitled to attend and participate in the meetings of the Board but is not entitled to vote.

The Act provides that no director and no Representative may be an officer or employee of the federal government or of the State or of any political subdivision thereof.

The present members of the Board and the Representatives of the Corporation, and the expiration dates of their respective terms of office are as follows:

<u>Directors</u>	<u>Expiration of Term</u>
Felix G. Rohatyn, <i>Chairman</i> (1) .....	December 31, 1987
Kenneth J. Bialkin(1)(2).....	December 31, 1990
George M. Brooker(1)(2) .....	December 31, 1989
John P. Campbell .....	December 31, 1993
Gedale B. Horowitz(1)(2) .....	December 31, 1991
Eugene J. Keilin(1).....	December 31, 1990
Dick Netzer(1).....	December 31, 1991
Andrew P. Steffan(1)(2)(3).....	December 31, 1984
Robert C. Weaver(1) .....	December 31, 1988
 <u>Representatives(4)</u>	
Jerome Belson .....	Appointed by the Vice-Chairman of the City Council
Joel B. Mounty.....	Appointed by the Minority Leader of the State Assembly
Carl H. Pforzheimer III .....	Designated representative of the State Comptroller
Jerome Reiss.....	Appointed by the Speaker of the State Assembly
Robert W. Seavey .....	Appointed by the Minority Leader of the State Senate

- (1) Continuing to serve until reappointed or until successor appointed and qualified.
- (2) Appointed upon the written recommendation of the Mayor.
- (3) Smith Barney, Harris Upham & Co. Incorporated, with which Mr. Steffan is affiliated as described in his biography, may act as underwriters in connection with the sale of the Series C Bonds.
- (4) Each Representative serves at the pleasure of the appointing official or body, is eligible for reappointment and holds office until his successor has been appointed. The position of the Representative appointed by the President Pro-Tem of the State Senate is currently vacant.

**FELIX G. ROHATYN, *Chairman*.** Mr. Rohatyn is a General Partner of Lazard Freres & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Pfizer Inc., Pechiney, Howmet Inc. and Carnegie Hall. Mr. Rohatyn is a resident of New York City.

**KENNETH J. BIALKIN.** Mr. Bialkin is a member of the law firm of Skadden, Arps, Slate, Meagher & Flom, New York, New York, and from 1967 to 1987 was an Adjunct Professor of Law at New York University School of Law. He is a past Chairman of the Section of Corporation, Banking and Business Law of the American Bar Association, and is a former Chairman of the Committee on Federal Regulation of Securities of that Section. He is a past President of the New York County Lawyers’ Association and a former Chairman of the Committee on Securities and Exchanges of that Association. He is President of the Jewish Community Relations Council of New York. He is a director of Oshap Technologies Ltd. and Primerica Corporation. Mr. Bialkin is a resident of New York City.

**GEORGE M. BROOKER.** Mr. Brooker is a principal stockholder and President of Webb & Brooker, Inc., a real estate management and brokerage firm. He is past President of the New York Chapter of the Institute of Real Estate Management. He is a governor of the Real Estate Board of New York and

the Realty Advisory Board of New York. He is a trustee of the Educational Broadcasting Corp. (WNET/Channel 13). He is a director of the National Center Housing Management of Washington, D.C. and director of the Realty Foundation of New York. Mr. Brooker is a resident of New Rochelle, New York.

JOHN P. CAMPBELL. Mr. Campbell is a member of the law firm of Curtis, Mallet-Prevost, Colt & Mosle, New York, New York. He is a director of White Securities Corporation, Clinton Holdings, Inc. and A.C. Israel Enterprises, Inc. Mr. Campbell is a resident of Cold Spring Harbor, New York.

GEDALE B. HOROWITZ. Mr. Horowitz is Senior Executive Director of Salomon Brothers Inc and Executive Vice President and a director of Salomon Inc. He is Chairman of the New York Local Government Assistance Corporation and past Chairman of the Securities Industry Association and the Public Securities Association. He previously served as Chairman of the Municipal Securities Rulemaking Board and the Municipal Bond Club of New York. He is Treasurer of the Board of Trustees of Barnard College, a Trustee of Long Island Jewish-Hillside Medical Center, a Trustee of New York Downtown Hospital and a member of Columbia University Advisory Committee on Athletics. Mr. Horowitz is a resident of Great Neck, New York.

EUGENE J. KEILIN. Mr. Keilin, Chairman of the Corporation's Finance Committee, is a General Partner of Keilin and Bloom, investment bankers. Previously, he was a General Partner of Lazard Freres & Co., and was Executive Director of the Corporation from October 1976 to January 1979. From 1973 to 1975, he served as General Counsel of the City's Office of Management and Budget and, 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. He is a Trustee of the Citizens Budget Commission and a member of the New York State Industrial Cooperation Council. Mr. Keilin is a resident of New York City.

DICK NETZER. Dr. Netzer, Chairman of the Corporation's City Budget Committee, is Senior Fellow at New York University's Urban Research Center; he was Director of the Center from 1981 to 1986 and was Dean of the University's Graduate School of Public Administration from 1969 through 1982. He is a former member of the Municipal Securities Rulemaking Board. 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. He is a member of numerous editorial and research advisory boards. Dr. Netzer is a resident of New York City.

ANDREW P. STEFFAN. Mr. Steffan, Chairman of the Corporation's Audit Committee, is a Managing Director of Smith Barney, Harris Upham & Co. Incorporated. From 1972 until 1976, he was on the staff of the Securities and Exchange Commission and became the Commission's first Director of Economic and Policy Research. Mr. Steffan is a resident of New York City.

ROBERT C. WEAVER. Dr. Weaver, Chairman of the Corporation's Administration Committee, was Distinguished Professor of Urban Affairs at Hunter College from 1971 to 1978. He is now Distinguished Professor Emeritus. 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 former member of the Board of Trustees of the Metropolitan Life Insurance Co. and the Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver is a resident of New York City.

JEROME BELSON, *Representative*. Mr. Belson is Chairman Emeritus of the Board of Waterhouse Securities, Inc. He is President of Associated Builders and Owners of Greater New York, Inc. He serves as a Trustee of St. John's University. He is Vice President of United Cerebral Palsy of New York City, Inc. He is a Director of AMREP Corporation. Mr. Belson is a resident of New York City.

JOEL B. MOUNTY, *Representative*. Mr. Mounty is President of Mountco Construction and Development Corp., a full service company which is actively engaged in the development, construction and management of residential, commercial and hotel properties. He is Vice Chairman of Food Patch, a hunger relief organization. Mr. Mounty is a resident of New Rochelle, New York.

CARL H. PFORZHEIMER III, *Representative*. Mr. Pforzheimer is Managing Partner of Carl H. Pforzheimer & Co., an investment banking firm. He is a director and President of the Visiting Nurse Service of New York, former Chairman and honorary member of the Board of Trustees of Horace Mann-Barnard School, past President of the Scarsdale Union Free School District, Chairman of the Board of Trustees of Pace University and a member of the Board of the Hoff-Barthelson Music School. He is also a member of the New York Zoological Society. Mr. Pforzheimer is a resident of Scarsdale, New York.

JEROME REISS, *Representative*. Mr. Reiss is Senior Partner to the law firm of Thelen, Marrin, Johnson & Bridges and has written extensively on construction law issues. He is General Counsel to the Artists' Fellowship, Inc., and a former Director of Brownsville Boys and Alumni Association. Mr. Reiss is a resident of Scarsdale, New York.

ROBERT W. SEAVEY, *Representative*. Mr. Seavey is counsel to the law firm of Blutrach, Falcone & Miller, New York, New York, Chairman of the Citizens Housing & Planning Council of New York and a Trustee of Brooklyn Law School. He is a former Chairman of the Battery Park City Authority and a past Member of the Committee of Housing and Urban Development of the Association of the Bar of the City of New York. Mr. Seavey is a resident of East Hampton, New York.

## PART 12 – LITIGATION

The Corporation is not party to any litigation. Various actions between 1975 and 1979 challenging the constitutionality of the imposition and appropriation of the Sales Tax and Stock Transfer Tax to the Corporation have all been dismissed with the State's highest court affirming the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations. The United States Supreme Court dismissed an appeal from the State court ruling for lack of a substantial Federal question.

## PART 13 – SUMMARY OF CERTAIN PROVISIONS OF THE 1991 GENERAL BOND RESOLUTION

The following is a summary of certain provisions of the 1991 General Bond Resolution. The summary is not comprehensive or definitive and is subject to all of the terms and provisions of the Resolution, to which reference is hereby made and copies of which are available from the Corporation. Section references, unless otherwise indicated, are to such Resolution.

### Certain Defined Terms

The following terms defined in the 1991 General Bond Resolution shall have the following meanings when used in this Official Statement:

“Accreted Amount” means with respect to any Discount Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Discount Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Amount on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Amount accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Amounts for such Valuations Dates.

“Bond” or “Bonds” means any Bond or the issue of Bonds, as the case may be, established and created by the Resolution and issued pursuant to a Series Resolution.

“Bond Payment Fund” means the fund by that name established by Section 602 of the Resolution.

“Bond Reserve Fund” means the fund by that name established by Section 602 of the Resolution.

“Bond Reserve Fund Requirement” means, as of any date of calculation, an amount not less than one-half of the maximum debt service due in any calendar year on all Outstanding Bonds; provided, however, if any such Bonds shall be Variable Rate Bonds, the amount of interest to be payable with respect to such Bonds shall be calculated at the maximum rate permissible with respect to such Bonds for such period as determined with respect to the applicable Series Resolutions; provided further that amounts, if any, to be paid during such calendar year pursuant to any tender, put or similar arrangement shall not be included in such calculation of maximum debt service, except to the extent specifically required in the Series Resolution pursuant to which Bonds subject to such tender, put or similar arrangement are authorized; and provided, further however, that such Bond Reserve Fund Requirement shall not be such as would subject interest on any Bonds intended, or previously determined, to be exempt from taxation for federal income tax purposes, to taxation for federal income tax purposes.

“Bondowners” or “Owner of Bonds” or “Owner” (when used with reference to Bonds) or any similar term, means any person or party who is the registered owner of any Outstanding Bond or Bonds, subject to the provisions of Section 310 of the Resolution.

“Business Day” means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in the City.

“City” means the City of New York.

“Discount Bond” means any Bond so designated in a Series Resolution.

“First General Bond Resolution” means the General Bond Resolution adopted by the Corporation on July 2, 1975, as heretofore and hereafter supplemented in accordance with the terms thereof.

“Interest Payment Date” means the date on which interest is (or, with respect to Discount Bonds, Accreted Amounts are) to be paid with respect to the Bonds as provided in Section 301 of the Resolution.

“Maturity Amount” with respect to any Discount Bond means the stated Accreted Amount of such Bond at the maturity date thereof.

“Operating Expenses” means the Corporation’s expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and includes administrative expenses, legal, accounting and consultants’ services and expenses, payments to pension, retirement, health and hospitalization funds, amounts owed the United States government and not otherwise provided for, amounts due to any credit or liquidity facility provider with respect to the Bonds and any other expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, or the Resolution or, to the extent not otherwise provided for, the First General Bond Resolution, the Second General Bond Resolution or otherwise.

“Operating Fund” means the fund by the name established by Section 602 of the First General Bond Resolution.

“Outstanding”, when used with reference to Bonds, other than Bonds held by or for the account of the Corporation, means, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount, the Accreted Amount or the Redemption Price thereof, as the case may be, with interest to the date of maturity or Redemption Date, shall be held by the Trustee in trust (whether at or prior to the maturity or Redemption Date), (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106, and (iv) Bonds deemed to have been defeased.

“Per Capita Aid” means the amounts of per capita aid, if any, payable to the City pursuant to Section 54 of the State Finance Law, as the same may be amended from time to time.

“Rebate Fund” means the fund by that name established by Section 602 of the Resolution.

“Redemption Price” means, with respect to any Bond, other than a Discount Bond, the principal amount thereof, plus the applicable premium, if any, and with respect to any Discount Bond, the Accreted Amount thereof, plus the applicable premium, if any, in each case payable upon redemption thereof pursuant to the Resolution and the Series Resolution pursuant to which the same was issued.

“Resolution” means the 1991 General Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

“Revenues” means all payments to the Corporation pursuant to Sections 3036, 3036-a and 3036-b of the Act except any payments to the Corporation for credit to the Operating Fund or the Rebate Fund.

“Second General Bond Resolution” means the Second General Bond Resolution adopted by the Corporation on November 25, 1975, as heretofore and hereafter supplemented and amended in accordance with the terms thereof.

“Serial Bonds” means the Bonds so designated in a Series Resolution.

“Series of Bonds” or “Bonds of a Series” or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

“Series Resolution” means a resolution of the Corporation authorizing the issuance of a Series of Bonds in accordance with the terms and provisions thereof adopted by the Corporation in accordance with Article X of the Resolution.

“Sinking Fund Installment” means as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required by the relevant Series Resolution, to be paid at all events by the Corporation on a single future January 1 or July 1 or such other date or dates as specified in a Series Resolution, for the retirement of any Outstanding Bonds of that Series which mature after such January 1 or July 1 or such other date or dates as specified in a Series Resolution, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

“Special Aid Account” means the special account created for the Corporation in the State Aid Fund.

“State” means the State of New York.

“State Aid Fund” means the Municipal Assistance State Aid Fund established pursuant to Section 92-e of the State Finance Law.

“Stock Transfer Tax” means the tax on the sale or transfer of stock or other certificates imposed by Article 12 of the Tax Law of the State.

“Supplemental Resolution” means a resolution supplemental to or amendatory of the Resolution, adopted by the Corporation in accordance with Article X of the Resolution.

“Term Bonds” means the Bonds so designated in a Series Resolution and payable from Sinking Fund Installments.

“Trustee” means United States Trust Company of New York, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the Resolution.

“Valuation Date” means, with respect to any Discount Bond, the date or dates set forth in the Series Resolution authorizing such Bond on which specific Accreted Amounts are assigned to such Discount Bond.

“Variable Rate Bonds” means Bonds designated as such in a Series Resolution.

#### **The Pledge Effected by the Resolution**

The proceeds of the sale of the Bonds, the Revenues and all Funds established by the Resolution (except for the Operating Fund and the Rebate Fund) are pledged to the payment of the principal or Accreted Amount of and interest on the Bonds (other than as may be required to be paid pursuant to

any tender, put or similar arrangement except to the extent specifically required in the Series Resolution pursuant to which Bonds subject to such tender, put or similar arrangement are authorized). The pledge created by the Resolution is subordinate to the pledge of the revenues, moneys and securities and funds pledged under the First General Bond Resolution and the Second General Bond Resolution. (Resolution, Section 601)

#### **Establishment of Funds**

The Resolution establishes the Rebate Fund, the Bond Payment Fund and Bond Reserve Fund, all of which are held by the Trustee. (Resolution, Section 602)

#### **Application of Payments**

The payments received by the Corporation in accordance with the Act shall be applied to the Rebate Fund, the Bond Reserve Fund, the Bond Payment Fund and the Operating Fund. If the amount of any payment received is less than the amount certified by the Chairman of the Corporation, such amount shall be applied *first* to the Bond Payment Fund, *second* to the Rebate Fund, *third* to the Bond Reserve Fund, and *last* to the Operating Fund on the basis of the respective amounts certified. (Resolution, Section 603)

#### **Operating Fund**

The Corporation shall pay out of the Operating Fund the amounts required for the payment of Operating Expenses. (Resolution, Section 604)

#### **Bond Payment Fund**

1. On or before the Business Day preceding each Interest Payment Date, the Trustee shall pay, from the Bond Payment Fund, to itself, the amount required for such payment.

2. If the amount in the Bond Payment Fund shall be less than the amounts required to be paid pursuant to paragraph 1 above, the Trustee shall withdraw from the Bond Reserve Fund such amount as will be sufficient to make such payment.

3. As soon as practicable after the 45th day preceding the date of any Sinking Fund Installment, the Trustee shall call for redemption the specified amount of Term Bonds to be retired by such Sinking Fund Installment.

4. The Corporation may, at any time during the twelve-month period prior to a date on which a Sinking Fund Installment is to be made, but not less than 45 days prior to the date on which a Sinking Fund Installment is due if such purchase is to be credited against the next succeeding Sinking Fund Installment, direct the Trustee to purchase, with monies in the Bond Payment Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase, or, where applicable, the Accreted Amount, Term Bonds payable from such Sinking Fund Installment. Term Bonds so purchased shall be credited against a Sinking Fund Installment to be made within such twelve-month period. Notwithstanding the foregoing, nothing contained in the Resolution shall be construed to prohibit the Corporation from purchasing Bonds for cancellation with other available monies not held under the Resolution at any price and from directing the Trustee to credit such purchased and cancelled Bonds against any Sinking Fund Installment applicable to such Bonds and for which notice of such Sinking Fund Installment has not been given. (Resolution, Section 605)

#### **Bond Reserve Fund**

1. The Corporation shall deposit into the Bond Reserve Fund (i) such portion of the proceeds of sale of Bonds as shall be prescribed by a Series Resolution; and (ii) any other moneys which may be made available to the Corporation for such purposes from any other source or sources.

2. Moneys and securities in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement, upon direction of the Corporation, may be deposited to the credit of the Rebate Fund, to the extent of any deficiency therein, and otherwise to the Bond Payment Fund.

3. Moneys and securities held in the Bond Reserve Fund may, and at the direction of the Corporation shall, be withdrawn therefrom by the Trustee and deposited in the Bond Payment Fund for the purchase or redemption of Bonds at any time; provided that subsequent to such withdrawal, the amount in the Bond Reserve Fund will not be less than the Bond Reserve Fund Requirement.  
(Resolution, Section 606)

#### **Rebate Fund**

The Corporation shall deposit into the Rebate Fund all amounts required to be so deposited in order for the Corporation to comply with its covenants contained in the Resolution and any Series Resolution. Amounts in the Rebate Fund in excess of amounts required for the Corporation to comply with such covenants may be transferred from the Rebate Fund as the Corporation directs.  
(Resolution, Section 607)

#### **Certification to the State Comptroller and to the Mayor of the City of New York**

In order to assure the maintenance of the Operating Fund, the Bond Payment Fund and the Bond Reserve Fund, not less than 120 days before the beginning of each Fiscal Year (but prior to February 12 in each calendar year), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor, with a copy of such certificate to the Trustee, a schedule setting forth the cash requirements of the Corporation for such Fiscal Year and the time or times when such cash is required, which certification shall be revised from time to time as required. The total amount so certified by such Chairman for such Fiscal Year shall be equal to: (i) the amounts which are required to maintain the Bond Reserve Fund at the Bond Reserve Fund Requirement; (ii) the amounts required to be deposited in the Bond Payment Fund to pay all interest on and all payments of principal, Accreted Amounts, Sinking Fund Installments, if any, and Redemption Price, if any, of Bonds maturing or otherwise coming due during such Fiscal Year; and (iii) the amounts required to be deposited in the Operating Fund as determined by the Corporation, to meet the Operating Expenses of the Corporation during such Fiscal Year (including amounts required to be deposited into the Rebate Fund to the extent not otherwise provided). In order further to secure the obligations of the Corporation, including the Bonds, each quarterly payment (to be made on or before April 12, June 25, October 12 and January 12) by the State Comptroller to the Corporation in accordance with such certification, shall be an amount, after taking into account moneys then in the Bond Payment Fund and available for purposes of the Bond Payment Fund during such Fiscal Year, not less than the sum of (A) 50% of the interest on all Outstanding Bonds payable within six months after the end of the quarterly period for which such payment is made plus (B) 25% of the principal, Accreted Amounts and premium, if any, on all Bonds and Sinking Fund Installments of the Corporation payable within one year after the end of the quarterly period for which such payment is made and such amount, if any, as may be required to be paid into the Bond Reserve Fund during the Fiscal Year of which such quarterly period is a part. Notwithstanding the foregoing, the Corporation covenants to make the certifications referred to above at such times and in such amounts as shall be necessary to coincide with the State procedures for payment of Per Capita Aid or other sources of revenues and as shall be necessary to make the deposits required herein and to make principal and Accreted Amounts of, Redemption Price, if any, and interest payments on the Bonds when due. If any increase shall occur in the cash requirements specified above, or if payments are required at a time or times earlier than previously certified, or if the City shall for any reason fail to make timely payment of the principal and accrued interest due on any obligation issued by the City to the Corporation and maturing within the same Fiscal Year, the Chairman shall certify a revised schedule of cash requirements for such Fiscal Year to the State Comptroller and to the Mayor. The schedule accompanying each certification (or revision thereof) shall provide for such payment dates as the Corporation deems appropriate to assure that sufficient funds will be available to meet the obligations of the Corporation as they become due. The Chairman shall exclude from consideration in making any



such certification with respect to the funds required by the Corporation for payment of principal or Accreted Amount of or interest on the Bonds, any amounts due to be received as payment of principal of or interest on obligations of the City held by the Corporation.  
(Resolution, Section 608)

### **Creation of Liens**

The Corporation shall not issue any indebtedness, other than the Bonds, secured by the Bond Reserve Fund, and shall not create any lien prior to the Bonds on the Bond Payment Fund, provided, however, that nothing shall prevent the Corporation from issuing (i) indebtedness under a separate resolution if the lien created by such resolution is not prior or equal to the charge or lien created by the 1991 General Bond Resolution, (ii) obligations issued in accordance with the applicable provisions of the First General Bond Resolution and the Second General Bond Resolution except as limited by Section 909 of the Resolution, and (iii) obligations issued in lieu of or in substitution for other obligations pursuant to applicable provisions of the First General Bond Resolution or the Second General Bond Resolution.  
(Resolution, Section 907)

### **General**

The Corporation shall not amend the First General Bond Resolution or the Second General Bond Resolution in any manner which would have a material adverse effect on the owners of bonds issued thereunder, provided, however, that nothing shall prevent the issuance of obligations upon the terms as provided in the First General Bond Resolution or the Second General Bond Resolution. The Corporation has covenanted not to issue additional First Resolution Obligations or Second Resolution Bonds unless, after giving effect to the issuance of such obligations, available Sales Tax revenues, after deducting maximum annual debt service payments on the First Resolution Obligations and the Second Resolution Bonds and the current operating expenses of the Corporation, would cover maximum annual debt service payments on the Notes, Bonds or Obligations by at least two times.  
(Resolution, Section 909)

### **Additional Obligations**

The Corporation reserves the right to issue its obligations under a separate resolution so long as the same are not entitled to a prior or equal lien with respect to the moneys pledged under the Resolution or with respect to proceeds from the Per Capita Aid, the Sales Tax or the Stock Transfer Tax.  
(Resolution, Section 204)

### **Events of Default**

The Resolution provides that it shall constitute an "event of default" if:

(a) the Corporation shall default in the payment of the principal, Accreted Amount, Sinking Fund Installments, if any, or Redemption Price of any Bond when due; or

(b) the Corporation shall default in the payment of interest on any of the Bonds and such default shall continue for a period of 30 days; or

(c) the Corporation shall fail or refuse to comply with the provisions of the Act relating to the certification of its quarterly requirements, or the State Comptroller shall fail to pay to the Corporation any amount or amounts as shall be certified by the Chairman of the Corporation pursuant to such provisions of the Act, or the Corporation shall fail or refuse to deposit in the Bond Reserve Fund, the Rebate Fund or the Bond Payment Fund the amount or amounts received by the Corporation for deposit in such funds, respectively; or

(d) the Corporation shall fail or refuse to comply with the provisions of the Act, other than as provided in (c) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolu-

tion, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the owners of not less than 5% in the aggregate principal amount and Accreted Amount of the Outstanding Bonds; or

(e) the State shall for any reason fail or refuse to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by the Tax Law as the same may be from time to time amended or if the rates of such taxes shall be reduced to rates less than those in effect on July 2, 1975; or

(f) the State shall fail to maintain the existence of either the special account in the Municipal Assistance Tax Fund or the Stock Transfer Tax Fund; or

(g) the State shall for any reason fail or refuse to apportion and pay Per Capita Aid or shall fail to maintain the State Aid Fund and the Special Aid Account therein or shall reduce the amount of Per Capita Aid payable during the current Fiscal Year to an amount less than the maximum amount of principal of and interest maturing or otherwise coming due on the Outstanding Bonds in the current or any future Fiscal Year.

(Resolution, Section 1202)

### **Remedies**

The Resolution vests the Trustee with all rights, powers and duties of a trustee appointed by Bondowners pursuant to the Act.

(Resolution, Section 1201)

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202 of the Resolution, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c), (d), (e), (f) or (g), of said Section, the Trustee may proceed, and upon the written request of the Owners of not less than 25% in aggregate principal amount and Accreted Amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondowners, and to require the Corporation to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Owners of the Bonds;

(d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or

(e) in accordance with the provisions of the Act to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than 25% in aggregate principal amount and Accreted Amount of the Outstanding Bonds, to annul such declaration and its consequences.

In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due under any provision of the Resolution or a Series Resolution or of the Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgement or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

(Resolution, Section 1203)

### **Series Resolutions and Supplemental Resolutions**

The Corporation may adopt (without the consent of any Bondowners) a Series Resolution or Supplemental Resolution to provide for the issuance of a Series of Bonds and specify the terms thereof; to add additional covenants and agreements for the purpose of further securing the payment of the Bonds; to prescribe further limitations and restrictions on the issuance of Bonds and the incurring of indebtedness by the Corporation; to surrender any right, power, or privilege reserved to the Corporation by the terms of the Resolution; to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues or any other monies, securities or funds; to modify any of the provisions of the Resolution or any previously adopted Series Resolution in any other respects, provided that such modifications shall not be effective until all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or, with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect.  
(Resolution, Section 1001)

Any of the provisions of the Resolution may be amended by a Supplemental Resolution with the written consent of the owners of at least two thirds in the aggregate principal amount and Accreted Amount in each case of (a) all Bonds then Outstanding, and (b) if less than all the Series of Bonds then Outstanding are affected, the Bonds then Outstanding of each affected Series; excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specific Series and maturity, if such amendment by its terms will not take effect so long as any such Bonds remain Outstanding; provided that any such amendment shall not permit a change in the terms of redemption or maturity of the principal or Accreted Amount of any Outstanding Bond or any installment of interest on any such Bond or make any reduction in principal amount, the Accreted Amount or Redemption Price, or interest without the consent of the Owner of such Bond, or reduce the percentages of consents or otherwise affect the classes of Bonds required for a further amendment.  
(Resolution, Section 1101)

Amendments may be made in any respect with the written consent of the Owners of all of the Bonds then Outstanding.  
(Resolution, Section 1103)

### **Investment of Funds**

The Corporation may direct the Trustee to invest moneys in the Bond Payment Fund and the Bond Reserve Fund in (a) direct obligations of the United States of America, direct obligations of the State or obligations the principal and interest of which are guaranteed by the United States of America or the State, (b) any obligation issued by certain federal agencies, (c) if permitted by law, any obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association, (d) any other obligation of the United States of America or any federal agencies which may then be purchased with funds belonging to the State of New York or held in the State Treasury, (e) interest bearing time deposits, (f) other similar investment arrangements, including, but not limited to, repurchase agreements covering obligations of issuers enumerated as aforesaid and (g) to the extent permitted by law, any obligation the interest on which is not included in gross income for federal income tax purposes and which is payable as to both principal and interest, from the principal of and interest paid on obligations of the United States of America.

The Trustee shall not be liable or responsible for the making of any authorized investment made in the manner provided in the Resolution or for any loss resulting therefrom.  
(Resolution, Sections 702 and 703)

## Defeasance

1. If the Corporation shall pay or cause to be paid to the Owners of all Bonds then Outstanding, the principal and interest, Accreted Amount, and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution (other than as may be required pursuant to any tender, put or similar arrangement except to the extent specifically required in the Series Resolution pursuant to which Bonds subject to such tender, put or similar arrangement are authorized), then, at the option of the Corporation, the covenants, agreements and other obligations of the Corporation to the Bondowners shall be discharged and satisfied; provided that, in addition to certain other covenants, any covenants made with respect to maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes shall survive.
2. Bonds, any principal portion thereof or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 above. All Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in such paragraph 1 above if (a) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when due, the principal, Accreted Amount, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, (b) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish a notice of redemption in accordance with the procedures provided in the Resolution and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail notice to the Owners of such Bonds, that the deposit required by (a) above has been made with Trustee and that such Bonds are deemed to be paid in accordance with the Resolution and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal, Accreted Amount or Redemption Price, if applicable, on such Bonds. Neither direct obligations of the United States of America or moneys deposited with the Trustee pursuant to Section 1401 of the Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Accreted Amount or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payment on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in direct obligations of the United States of America maturing at times and amounts sufficient to pay when due the principal, Accreted Amount or Redemption Price, if applicable, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment, to the extent not required to be deposited in the Rebate Fund, shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.  
(Resolution, Section 1401)

## **PART 14 -- TRUSTEE**

United States Trust Company of New York is the Trustee under the 1991 General Bond Resolution, as well as the Trustee under the Second General Bond Resolution. Its principal offices are located at 114 West 47th Street, New York, New York 10036. The Trustee has accepted the duties and responsibilities imposed upon it by the 1991 General Bond Resolution and is vested with all of the rights, powers and duties of a trustee appointed by owners of 1991 Resolution Bonds pursuant to the Act. Upon the happening of an "event of default" as defined in the 1991 General Bond Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Bondowners. See "PART 13 -- SUMMARY OF CERTAIN PROVISIONS OF THE 1991 GENERAL BOND RESOLUTION". In the performance of its duties, the Trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own negligence or default. The Trustee is protected in acting upon any direction or document believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The Trustee may resign at any time upon 60 days' written notice to the Corporation and upon mailing notice thereof to the Bondowners. Any such resignation shall take effect on the date specified in the notice, but in the event that a successor has been appointed, the resignation shall take effect immediately. The Trustee may be removed by the Corporation for actions or events arising from the Trustee's negligence, default or willful misconduct.

As of the date hereof, the Trustee owns no bonds or other obligations of the Corporation for its own account. The Trustee has performed, and may in the future perform, certain banking services for the Corporation.

## **PART 15 -- LEGAL INVESTMENT**

The 1991 Resolution Bonds are legal investments, under present provisions of State law, for all public officers and bodies of the State and political subdivisions of the State and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State. Pursuant to the Act, the 1991 Resolution Bonds may be deposited with, and may be received by, all public officers and bodies of the State and all political subdivisions thereof and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

## **PART 16 -- TAX EXEMPTION AND TAX CONSEQUENCES**

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants described herein, interest on the Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is further of the opinion that interest on the Series C Bonds is not a specific preference item for purposes of the individual or corporate federal alternative minimum taxes. However, Bond Counsel observes that interest on the Series C Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series C Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City). A copy of the proposed opinion of Bond Counsel is set forth in Exhibit B hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series C Bonds, including those that must be met subsequent to the issuance and delivery of the Series C Bonds in

order that interest on the Series C Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. The Corporation has covenanted in certain documents relating to the Series C Bonds to comply with certain restrictions designed to assure that interest on the Series C Bonds will not become includable in gross income for federal tax purposes. Failure to comply with these covenants may result in interest on the Series C Bonds being included in federal gross income of the Bondowners, possibly from the date of issuance of the Series C Bonds. The opinion of Bond Counsel assumes compliance with such covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series C Bonds may adversely affect the tax status of interest on the Series C Bonds.

Certain requirements and procedures contained or referred to in the documents relating to the Series C Bonds may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, in connection with which the advice or approving opinion of nationally recognized bond counsel would be required. Orrick, Herrington & Sutcliffe expresses no opinion as to any Series C Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe.

Although Bond Counsel has rendered an opinion that interest on the Series C Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City), the ownership or disposition of, or the accrual or receipt of interest on, the Series C Bonds may otherwise affect a Bondowner's federal, State or local tax liability. Interest on the Series C Bonds may be subject to State or local income taxes in jurisdictions other than the State of New York or any political subdivision thereof under applicable state or local tax laws. The nature and extent of these other tax consequences will depend upon the Bondowner's particular tax status or the Bondowner's other items of income or deduction. Bondowners should consult their tax advisors concerning any such tax consequences. Bond Counsel expresses no opinion regarding any such other tax consequences.

#### **PART 17 – LEGAL OPINIONS**

All legal matters incident to the authorizations, issuance, sale and delivery of the Series C Bonds are subject to the approval of Orrick, Herrington & Sutcliffe, New York, New York, Bond Counsel to the Corporation. The approving opinion of Bond Counsel with respect to the Series C Bonds will be in substantially the form attached to this Official Statement as Exhibit B. The opinion of Bond Counsel with respect to the payment of the Refunded Bonds will be in substantially the form attached to this Official Statement as Exhibit C. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Carter, Ledyard & Milburn, New York, New York, have acted as counsel for the Trustee.

Certain matters will be passed upon for the Underwriters by their counsel, Mudge Rose Guthrie Alexander & Ferdon, New York, New York.

#### **PART 18 – UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series C Bonds from the Corporation at a discount from the initial public offering prices equal to .6687% of the principal amount of the Series C Bonds. The Underwriters may offer to sell such Series C Bonds to certain dealers and others at prices lower than the initial public offering prices and the public offering prices may be changed from time to time by the Underwriters. The Corporation has agreed to indemnify the Underwriters against certain liabilities.

Certain institutional investors, some of which are Underwriters, hold substantial amounts of bonds of the Corporation and the City, and such investors may, from time to time during and after the time when the Series C Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

#### **PART 19 – FINANCIAL STATEMENTS**

The audited financial statements of the Corporation for the year ended June 30, 1992 and the accompanying report thereon by Price Waterhouse, the Corporation's independent accountants, and the unaudited financial statements of the Corporation for the six months ended December 31, 1992 are annexed hereto as Exhibit A. Subsequent to December 31, 1992, the following events took place and are not included in the December 31, 1992 unaudited financial statements: the receipt on January 12, 1993 of \$45.8 million of Sales Tax revenues for Second Resolution Bond purposes and \$44.2 million for 1991 Resolution Bond purposes; and the payment on January 15, 1993 of \$93.96 million principal amount of Series B Bonds under the 1991 Resolution.

#### **PART 20 – MISCELLANEOUS**

Lazard Freres & Co. is acting without compensation as financial advisor to the Corporation. Felix G. Rohatyn, Chairman of the Corporation, is a General Partner of such firm.

The First Boston Corporation is acting as a managing underwriter in connection with the sale of the Series C Bonds. The husband of the Corporation's Deputy Executive Director and Treasurer, Ms. Frances Higgins Jacobs, is a Director of such firm.

The references herein to the Act, the Emergency Act, the Tax Law, the Finance Law, the various agreements, and the First, Second and 1991 General Bond Resolutions and series resolutions promulgated thereunder are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such Acts, Laws, various agreements, General Bond Resolutions and series resolutions for full and complete statements of such provisions. Copies of such Acts, Laws, agreements, General Bond Resolutions and series resolutions are available at the office of the Corporation.

The delivery of this Official Statement has been duly authorized by the Corporation.

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

By QUENTIN B. SPECTOR  
*Executive Director*

## APPENDIX

### Definitions

The following are definitions of certain of the terms used in this Official Statement.

*Act*—New York State Municipal Assistance Corporation Act and the Municipal Assistance Corporation For the city of New York Act, each as amended to date (Sections 3001 through 3040 of the State Public Authorities Law).

*Board*—Board of Directors of the Corporation.

*Bond Payment Fund*—the bond payment fund established under the 1991 General Bond Resolution and held by the Trustee.

*Bond Service Fund*—the bond service fund established under the Second General Bond Resolution and held by the trustee thereunder.

*Capital Reserve Aid Fund*—the capital reserve fund established under the Second General Bond Resolution and held by the trustee thereunder.

*Capital Reserve Fund*—the capital reserve fund established under the First General Bond Resolution and held by the trustee thereunder.

*Control Board*—New York State Financial Control Board which was created in September 1975 pursuant to the Emergency Act.

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

*Debt Service Fund*—the debt service fund established under the First General Bond Resolution and held by the trustee thereunder.

*Emergency Act*—the New York State Financial Emergency Act for the City of New York, as amended to date.

*Finance Law*—the State Finance Law of New York.

*First Resolution Obligations*—Bonds, Notes or Other Obligations (each as defined in the First General Bond Resolution) that are or may be issued pursuant to the First General Bond Resolution.

*Fiscal Year*—for the Corporation and the City, the 12 months ended June 30; for the State, the 12 months ended March 31.

*Municipal Assistance State Aid Fund*—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Per Capita Aid is paid.

*Municipal Assistance Tax Fund*—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Sales Tax and, if necessary, Stock Transfer Tax is paid.

*1991 General Bond Resolution*—the 1991 General Bond Resolution of the Corporation adopted February 6, 1991.

*1991 Resolution Bonds*—bonds that are or may be issued pursuant to the 1991 General Bond Resolution.

*1978 State Covenant*—a covenant of the State that it will not take certain actions with respect to the Control Board.

*Per Capita Aid*—amounts of revenue, if any, available to the Corporation (that otherwise would have been payable to the City) from the General Fund of the State as per capita State aid pursuant to Section 54 of the Finance Law.

*Sales Tax*—collections of the State sales and compensating use taxes formerly imposed by the City, and now imposed by the State within the City.

*Second Resolution Bonds*—bonds that are or may be issued pursuant to the Second General Bond Resolution.



*Series C Bonds*—the Bonds described in this Official Statement authorized to be issued pursuant to the Series B Resolution.

*Series C Resolution*—the Series Resolution of the Corporation authorizing the Series C Bonds.

*Stock Transfer Tax Fund*—the fund established for the Corporation pursuant to the Finance Law in the Custody of the Commissioner of Taxation and Finance into which the Stock Transfer Tax is paid.

*Tax Law*—the State Tax Law of New York.

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, Summary of Changes in Funding Requirement and the related Debt Service and Reserve Funds and Operating Fund Statements of Transactions and of Cash Flows present fairly, in all material respects, the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1992, and the Debt Service Fund, Reserve Funds and Operating Fund transactions, and its cash flows for the year then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

153 East 53rd Street  
New York, New York 10022  
August 6, 1992

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

**STATEMENT OF FINANCIAL POSITION**

	<u>December 31, 1992</u> (unaudited)	<u>June 30, 1992</u>
<b>LIABILITIES:</b>		
Second General Resolution Bonds.....	\$5,080,975,000	\$5,080,975,000
1991 General Resolution Bonds .....	<u>467,860,000</u>	<u>517,860,000</u>
Total bonds payable .....	5,548,835,000	5,598,835,000
Accrued interest on bonds payable .....	10,278,892	4,733,494
Federal rebate requirement .....	5,463,091	5,463,091
Operating Fund .....	<u>1,835,357</u>	<u>2,407,096</u>
Total liabilities .....	<u>5,566,412,340</u>	<u>5,611,438,681</u>
<b>ASSETS:</b>		
Debt Service Fund:		
Cash .....	-0-	2,201
Investments in securities .....	381,717,169	400,504,284
Accrued interest on securities.....	54,144	52,127
City of New York obligations.....	1,278,915,000	1,393,524,000
Accrued interest on City of New York obligations .....	<u>38,379,001</u>	<u>41,224,307</u>
Total Debt Service Fund .....	<u>1,699,065,314</u>	<u>1,835,306,919</u>
Second Capital Reserve Fund:		
Investments in securities .....	549,009,278	553,576,485
Accrued interest on securities.....	<u>5,754,282</u>	<u>5,872,698</u>
Total Second Capital Reserve Fund .....	<u>554,763,560</u>	<u>559,449,183</u>
1991 Bond Reserve Fund:		
Cash .....	2,281	1,477
Investments in securities .....	110,908,760	108,166,881
Accrued interest on securities.....	<u>3,237,418</u>	<u>3,431,839</u>
Total 1991 Bond Reserve Fund .....	<u>114,148,459</u>	<u>111,600,197</u>
Operating Fund .....	<u>3,776,914</u>	<u>2,694,515</u>
Total assets.....	<u>2,371,754,247</u>	<u>2,509,050,814</u>
Funding requirement.....	<u>\$3,194,658,093</u>	<u>\$3,102,387,867</u>

See accompanying notes to the financial statements.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## DEBT SERVICE AND RESERVE FUNDS

### STATEMENT OF TRANSACTIONS

	For the six months ended December 31, 1992 (unaudited)	For the fiscal year ended June 30, 1992
<b>RECEIPTS:</b>		
Debt Service Fund:		
Principal amount of bonds issued for refunding purposes . . . . .	\$ -0-	\$ 380,650,000
Less: Underwriting discount, net of premium of \$239,042 . . . . .	<u>-0-</u>	<u>(329,828)</u>
Net proceeds from issuance of bonds . . . . .	-0-	380,320,172
State sales tax revenues . . . . .	-0-	540,300,000
Income from investments . . . . .	8,132,686	38,124,453
Income from City of New York obligations . . . . .	67,388,698	142,888,993
Transfers from First Capital Reserve Fund . . . . .	-0-	244,335,173
Transfers from Second Capital Reserve Fund . . . . .	25,368,817	140,576,492
Transfers from 1991 Bond Reserve Fund . . . . .	1,073,813	429,914
Transfers to Operating Fund . . . . .	<u>(6,170,972)</u>	<u>(9,416,960)</u>
Total . . . . .	<u>95,793,042</u>	<u>1,477,558,237</u>
First Capital Reserve Fund:		
Income from investments . . . . .	-0-	17,137,802
Transfers to Debt Service Fund . . . . .	-0-	(244,335,173)
Transfers to 1991 Bond Reserve Fund . . . . .	<u>-0-</u>	<u>(101,556,575)</u>
Total . . . . .	<u>-0-</u>	<u>(328,753,946)</u>
Second Capital Reserve Fund:		
Income from investments . . . . .	20,683,196	53,617,852
Transfers to Debt Service Fund . . . . .	<u>(25,368,817)</u>	<u>(140,576,492)</u>
Total . . . . .	<u>(4,685,621)</u>	<u>(86,958,640)</u>
1991 Bond Reserve Fund:		
Income from investments . . . . .	3,622,075	2,903,411
Transfers from First Capital Reserve Fund . . . . .	-0-	101,556,575
Transfers to Debt Service Fund . . . . .	<u>(1,073,813)</u>	<u>(429,914)</u>
Total . . . . .	<u>2,548,262</u>	<u>104,030,072</u>
Total receipts . . . . .	<u>93,655,683</u>	<u>1,165,875,723</u>
<b>EXPENDITURES:</b>		
Interest on First General Resolution Bonds . . . . .	-0-	43,519,788
Interest on Second General Resolution Bonds . . . . .	177,201,709	372,937,154
Interest on 1991 General Resolution Bonds . . . . .	10,378,338	13,297,924
Principal repayment of First General Resolution Bonds . . . . .	-0-	190,000,000
Principal repayment of Second General Resolution Bonds . . . . .	-0-	257,140,000
Principal repayment of 1991 General Resolution Bonds . . . . .	50,000,000	1,230,000
Defeasance of bonds and related interest . . . . .	<u>-0-</u>	<u>815,521,733</u>
Total expenditures . . . . .	<u>237,580,047</u>	<u>1,693,646,599</u>
Deficiency of receipts over expenditures for the period . . . . .	<u>\$(143,924,364)</u>	<u>\$ (527,770,876)</u>

See accompanying notes to the financial statements.

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

**OPERATING FUND**

**STATEMENT OF TRANSACTIONS**

	<u>For the six months ended December 31, 1992</u>	<u>For the fiscal year ended June 30, 1992</u>
	(unaudited)	
<b>RECEIPTS:</b>		
Income from investments .....	\$ 29,589	\$ 85,475
Transfers from Debt Service Fund .....	<u>6,170,972</u>	<u>9,416,960</u>
Total receipts.....	<u>6,200,561</u>	<u>9,502,435</u>
<b>EXPENDITURES:</b>		
Debt issuance .....	44,306	408,727
Debt administration .....	236,886	967,351
General administration.....	759,219	1,330,240
State Cost Recovery Assessment .....	1,253,461	3,954,898
Oversight function:		
Financial Control Board .....	1,033,311	1,980,122
Office of the State Deputy Comptroller .....	<u>1,219,240</u>	<u>370,484</u>
Total expenditures .....	<u>4,546,423</u>	<u>9,011,822</u>
Excess of receipts over expenditures for the period.....	<u>\$1,654,138</u>	<u>\$ 490,613</u>

**SUMMARY OF CHANGES IN FUNDING REQUIREMENT**

	<u>For the six months ended December 31, 1992</u>	<u>For the fiscal year ended June 30, 1992</u>
	(unaudited)	
Funding requirement at beginning of period .....	\$3,102,387,867	\$3,447,565,604
Changes during the period:		
Debt outstanding.....	(50,000,000)	(872,458,000)
Debt Service and Reserve Funds .....	143,924,364	527,770,876
Operating Fund .....	<u>(1,654,138)</u>	<u>(490,613)</u>
Funding requirement at end of period .....	<u>\$3,194,658,093</u>	<u>\$3,102,387,867</u>

See accompanying notes to the financial statements.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## DEBT SERVICE AND RESERVE FUNDS

### STATEMENT OF CASH FLOWS

	<u>For the six months</u> <u>ended December 31, 1992</u> <small>(unaudited)</small>	<u>For the fiscal year</u> <u>ended June 30, 1992</u>
<b>Cash flows from Operating Activities:</b>		
Transfers to Operating Fund .....	(\$ 6,170,972)	(\$ 9,416,960)
Net cash used for operating activities .....	<u>(6,170,972)</u>	<u>(9,416,960)</u>
<b>Cash flows from Noncapital Financing Activities:</b>		
Principal and interest paid on bonds .....	(232,034,649)	(904,476,935)
Net proceeds from issuance of bonds .....	-0-	380,320,172
Defeasance of bonds and related interest (cash) .....	-0-	(380,320,172)
State sales tax revenues .....	-0-	<u>540,300,000</u>
Net cash used for noncapital financing activities .....	<u>(232,034,649)</u>	<u>(364,176,935)</u>
<b>Cash flows from Investing Activities:</b>		
New York City obligations:		
Principal repayment .....	114,609,000	115,300,000
Interest received .....	70,234,004	146,329,361
Sales and redemptions of securities .....	518,501,836	2,154,910,152
Purchases of securities .....	(496,269,031)	(2,161,097,665)
Interest received on securities .....	35,141,190	140,467,103
Purchased interest on securities .....	<u>(4,012,775)</u>	<u>(22,328,507)</u>
Net cash provided by investing activities .....	<u>238,204,224</u>	<u>373,580,444</u>
Net decrease in cash .....	(1,397)	(13,451)
Cash at beginning of period .....	<u>3,678</u>	<u>17,129</u>
Cash at end of period .....	<u>\$ 2,281</u>	<u>\$ 3,678</u>
Deficiency of receipts over expenditures .....	<u>(\$143,924,364)</u>	<u>(\$ 527,770,876)</u>
Adjustments to reconcile excess (deficiency) of receipts over expenditures to net cash used for operating activities:		
Amortization of premiums/discounts on securities .....	(4,246,821)	(9,871,322)
Defeasance of bonds and related interest (non-cash) .....	-0-	435,201,561
Decrease in accrued interest on securities .....	310,820	26,525,314
Loss (gain) on sales of securities .....	1,336	(348,054)
Increase (decrease) in accrued interest on bonds payable ..	5,545,398	(26,352,069)
Decrease in Federal rebate requirement .....	-0-	(6,282,549)
Decrease in interest receivable on New York City obligations .....	2,845,306	3,440,368
Principal repayment of New York City obligations .....	114,609,000	115,300,000
Decrease in accrued interest on unsettled trades .....	-0-	(100,346)
Increase (decrease) in provision for unrealized loss on securities .....	2,625,123	(3,567,965)
Nonoperating items .....	<u>16,063,230</u>	<u>(15,591,022)</u>
Total adjustments .....	<u>137,753,392</u>	<u>518,353,916</u>
Net cash used for operating activities .....	<u>(\$ 6,170,972)</u>	<u>(\$ 9,416,960)</u>

See accompanying notes to the financial statements.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**OPERATING FUND**  
**STATEMENT OF CASH FLOWS**

	<u>For the six months</u> <u>ended December 31, 1992</u>	<u>For the fiscal year</u> <u>ended June 30, 1992</u>
	(unaudited)	
<b>Cash flows from Operating Activities:</b>		
Payments to vendors .....	(\$ 5,784,391)	(\$ 8,806,127)
Transfers from Debt Service Fund .....	<u>6,170,972</u>	<u>9,416,960</u>
Net cash provided by operating activities .....	<u>386,581</u>	<u>610,833</u>
<b>Cash flows from Investing Activities:</b>		
Sales and redemptions of securities .....	242,079,000	524,741,000
Purchases of securities .....	(242,492,465)	(525,436,000)
Interest received on securities .....	<u>29,572</u>	<u>86,086</u>
Net cash used for investing activities .....	<u>(383,893)</u>	<u>(608,914)</u>
Net increase in cash .....	2,688	1,919
Cash at beginning of period .....	<u>6,252</u>	<u>4,333</u>
Cash at end of period.....	<u>\$ 8,940</u>	<u>\$ 6,252</u>
Excess of receipts over expenditures for the period .....	<u>\$ 1,654,138</u>	<u>\$ 490,613</u>
Adjustments to reconcile excess of receipts over expenditures to net cash provided by operating activities:		
Interest received on securities .....	(29,572)	(86,086)
Amortization of discounts on securities.....	(43)	-0-
Increase in prepaid expense .....	(666,229)	-0-
Decrease in accrued interest on securities .....	26	608
(Decrease) increase in accrued expense.....	<u>(571,739)</u>	<u>205,698</u>
Total adjustments .....	<u>(1,267,557)</u>	<u>120,220</u>
Net cash provided by operating activities .....	<u>\$ 386,581</u>	<u>\$ 610,833</u>

See accompanying notes to the financial statements.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

### NOTE 1—Organization and Functions of the Corporation:

Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation. The Corporation was created by State legislation adopted in June 1975 (as amended to date, the "Act") for purposes of providing financing assistance and fiscal oversight for The City of New York (the "City"). To carry out such purposes, the Corporation was authorized to sell bonds and notes for the purpose of paying or loaning the proceeds of such sales to the City and to exchange the Corporation's obligations for those of the City.

### NOTE 2—Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting. Receipts from tax allocations are recorded as received. Interest income from investments and interest expense on the Corporation's debt are recorded on the accrual basis. Income from investments includes realized gains and losses from sales of investments. With respect to the Debt Service and Reserve Funds, income from investments is net of an accrued rebate to the United States of America of certain excess earnings (see Note 7). With respect to the Debt Service Fund, income from investments also includes provision for unrealized losses or reversals of prior provisions for unrealized losses on such investments. The Corporation's debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund as incurred and become part of the funding requirement. 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, and amounts required for the payment of debt service due on January 15 and July 15 are accounted for as if paid on the immediately preceding January 14 and July 14, respectively, by which date such amounts are segregated for that purpose by the Trustee under the bond resolutions. The funding requirement of the Corporation reported in the Statement of Financial Position does not include future interest requirements.

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

Investments in securities held in the Reserve Funds (see Note 4) are carried at amortized cost and investments in securities in the Debt Service Fund are carried at the lower of cost or market value, inclusive of accrued interest, in accordance with the bond resolutions pursuant to which they were established. Investments in securities held in the Operating Fund are carried at the lower of cost or market value, inclusive of accrued interest. Investments may consist of direct obligations of, or obligations guaranteed by, the State 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 the Trustee in the name of the Corporation. City of New York obligations are carried at cost. (See Note 6).

### NOTE 3—Bonds of the Corporation: Authorization, Funding, Payment and Refunded Bonds:

#### *Debt Authorization--*

The Corporation was authorized by the Act to issue, until January 1, 1985, obligations in an aggregate principal amount of \$10 billion, of which the Corporation issued approximately \$9.445 billion, exclusive of obligations issued to refund outstanding obligations of the Corporation and of notes issued to enable the City to fulfill its seasonal borrowing requirements. In July 1990, State legislation was enacted which, among other things, authorized the Corporation to issue up to an additional \$1.5



# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS – (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

billion of bonds and notes to fund a portion of the capital programs of the New York City Transit Authority and the New York City School Construction Authority, under the terms contained in a memorandum of agreement dated July 19, 1990, among the Corporation, the State and City. This legislation also provides for a reduction in the July 1990 issuance authority to the extent that the transit and schools capital programs are funded by the City. As of June 30 and December 31, 1992, the Corporation has been advised that the City has funded \$440 million of these programs.

The Corporation continues to be authorized to issue obligations to renew or refund outstanding obligations, without limitation as to amount. No obligations of the Corporation may mature later than July 1, 2008. The Corporation may issue such new obligations provided their issuance would not cause certain debt service limitations and debt service coverage ratios to be exceeded. See Exhibits, I, II and III, which are an integral part of the Corporation's financial statements.

### *Funding Methods—*

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

All outstanding bonds are general obligations of the Corporation. The Corporation has no taxing power. The bonds are entitled to liens, created by pledges under the respective resolutions, on moneys paid into the Debt Service and Reserve Funds.

Debt service for obligations issued and outstanding under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the State's Municipal Assistance Tax Fund, which is funded from sales and stock transfer tax revenues collected, less the State's charges for collection and administration, from the sales tax and, if necessary, the stock transfer tax. In 1977, the State enacted a program of gradually increasing rebates for all stock transfer taxpayers. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the stock transfer tax at the present rate but will be entitled to a 100% rebate should the Corporation not require the funds. To date, the Corporation has not found it necessary to use the revenues derived from the stock transfer tax to pay its debt service. As a result of the refunding of the Series EE and Series HH Bonds in February 1992, the Corporation has no liabilities remaining under the First General Bond Resolution, and it has covenanted with the Series B bondholders not to issue additional First General Bond Resolution obligations.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS -- (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the year ended June 30, 1992 amounted to \$4,465.5 million. The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the six- and twelve-month periods ended December 31, 1992 amounted to \$2,261.7 million and \$4,606.4 million, respectively, as shown below:

	Six Months Ended		Change
	12/31/92	12/31/91	
Sales Tax.....	\$1,139.6	\$1,084.3	5.1%
Stock Transfer Tax.....	1,122.1	1,036.6	8.2
Total.....	\$2,261.7	\$2,120.9	6.6
	Twelve Months Ended		
	12/31/92	12/31/91	Change
Sales Tax.....	\$2,239.7	\$2,200.8	1.8%
Stock Transfer Tax.....	2,366.7	1,990.5	18.9
Total.....	\$4,606.4	\$4,191.3	9.9

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 and outstanding under the Second General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the Municipal Assistance State Aid Fund, which is funded from per capita aid otherwise payable by the State to the City, and funds paid quarterly from the Municipal Assistance Tax Fund, after satisfying the debt service requirements for obligations issued and outstanding under the First General Bond Resolution and operating expenses as described above. Per capita aid is subject to prior claims asserted by certain other State or City entities; however, the Corporation has been advised that no such claims have been asserted since the inception of the Corporation. Also, the Corporation was advised that total per capita aid paid into the Municipal Assistance State Aid Fund during each of the twelve-month periods ended June 30, 1992 and December 31, 1992 amounted to \$535.0 million.

Debt service for obligations issued and outstanding under the 1991 General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the Municipal Assistance State Aid Fund after satisfying the debt service requirements, if any, for obligations issued and outstanding under the Second General Bond Resolution and funds paid quarterly from the Municipal Assistance Tax Fund after satisfying the debt service requirements for obligations issued and outstanding under the First and Second General Bond Resolutions.

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

### *Payment Dates --*

Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semiannually on February 1 and August 1 for bonds outstanding under the First General Bond Resolution. Principal payments at maturity or mandatory sinking fund calls are made July 1 and interest is paid semiannually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution and for the Series A Bonds outstanding under the 1991 General Bond Resolution. Principal payments at maturity are made and interest is paid semiannually on January 15 and July 15 for the Series B Bonds outstanding under the 1991 General Bond Resolution. The Corporation may from time to time purchase certain of its securities to satisfy its sinking fund requirements.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS — (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

### *Refunded Bonds—*

The Corporation's bonds may be refunded in advance of their maturity in accordance with provisions of the First, Second or 1991 General Bond Resolutions by placing in trust with the Trustee sufficient moneys or certain securities which together with investment income therefrom 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 defeased and deemed to have been paid within the meaning of the First, Second or 1991 General Bond Resolutions and are therefore no longer presented as liabilities of the Corporation. At June 30, 1992 and at December 31, 1992, \$1,688.5 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, 1992 reduced debt service payments by \$99.8 million during the calendar years 1992 through 1995, producing present value savings to the Corporation of \$52.9 million.

### **NOTE 4—Reserve Funds:**

Reserve Funds have been established under each of the Corporation's general bond resolutions, in conformance with the requirements of the Act, to provide security for payment of interest on and principal of the bonds issued and outstanding under each of the respective resolutions. The amount required to be on deposit in each of the First and Second General Bond Resolution Capital Reserve Funds is 100% of the principal (including sinking fund installments) and interest maturing or otherwise due or becoming due during the succeeding calendar year on outstanding bonds issued under the respective resolutions. The amount required to be on deposit in the 1991 General Bond Resolution Bond Reserve Fund is an amount not less than one-half of the maximum debt service due in any calendar year on all outstanding 1991 General Resolution bonds.

On February 25, 1992, the Corporation issued its Series B Bonds to refund the Series EE and HH Bonds. As a result of this refunding, the Corporation has no liabilities remaining under the First General Bond Resolution, and it has covenanted with the Series B bondholders not to issue additional First General Bond Resolution obligations. Therefore, there is no reserve fund under the First General Bond Resolution.

At June 30, 1992, the Second General Bond Resolution Capital Reserve Fund balance was \$559.4 million and the 1991 General Bond Resolution Bond Reserve Fund was \$111.6 million. At December 31, 1992, the Second General Bond Resolution Capital Reserve Fund balance was \$554.8 million and the 1991 General Bond Resolution Bond Reserve Fund balance was \$114.1 million. Such amounts exceeded the required funding levels.

### **NOTE 5—Operating Fund:**

The Operating Fund provides for the expenses of carrying out the Corporation's duties and functions and is funded from the Municipal Assistance Tax Fund. The Operating Fund accounts have been prepared on the accrual basis of accounting. The Corporation's administrative expenses are charged to the Operating Fund as incurred. The assets of the Operating Fund at June 30, 1992 included approximately \$2,688,000 of securities purchased under agreements to resell, which approximates market value. The assets at December 31, 1992 included approximately \$495,500 of investments in marketable securities and \$2,606,000 of securities purchased under agreements to resell, respectively, which approximate market value.

### **NOTE 6—City of New York Obligations Held by the Corporation:**

Between October 1980 and June 1987, the Corporation acquired bonds of the City, as part of a program to provide for a significant portion of the City's capital financing requirements, by using the net proceeds of certain of the Corporation's debt issuances to purchase City bonds with similar

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS -- (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

maturities. Prior to October 1980, the Corporation had acquired bonds of the City in connection with certain other transactions. City bonds owned by the Corporation are callable at par at any time by the City and may not be sold without the consent of the City and accordingly are carried at cost.

At June 30, 1992 and December 31, 1992, the Corporation held \$1,393.5 million and \$1,278.9 million, respectively, principal amount of City bonds. The City obligations held at June 30, 1992 bear interest at rates ranging from 7.0% to 13.6% and will mature on September 15 in each year as shown below:

<u>Year</u>	<u>Amount Maturing</u> (In Thousands)
1992 .....	\$ 114,609
1993 .....	112,876
1994 .....	122,983
1995 .....	121,381
1996 .....	104,500
1997 .....	106,684
1998-2002 .....	426,301
2003-2007 .....	<u>284,190</u>
	<u>\$1,393,524</u>

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

### NOTE 7—Commitments:

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 to the City of New York during the 1987 through 1995 fiscal years. Revenues made available pursuant to this agreement are determinable at the close of the Corporation's fiscal year. As of June 30, 1992, the Corporation made available \$1.1 billion of these revenues, including \$75 million made available during fiscal 1992 for City operations which had previously been earmarked for the New York City Transit Authority capital program.

On May 16, 1989, the Corporation entered into an agreement with the State and City to make available \$750 million of additional revenues to the City during the 1990 through 1997 fiscal years. These revenues are in addition to those to be provided by the April 1986 agreement. Revenues made available pursuant to this agreement are determinable at the close of the Corporation's fiscal year. As of June 30, 1992, the Corporation made available \$358 million of these revenues, including \$75 million made available during fiscal 1992 for City operations which had previously been earmarked for the New York City School Construction Authority capital program.

On July 19, 1990, the Corporation, the State and the City entered into a new memorandum of agreement amending the agreements executed on April 2, 1986 and May 16, 1989. Under the new agreement, the Corporation will make available for City operations over the 1990 through 1997 fiscal years \$1.465 billion of its excess revenues which previously had been committed to the capital programs of the New York City Transit Authority and the New York City School Construction Authority. The new agreement further provides that these capital programs will be funded in accordance with the schedules set forth in the 1986 and 1989 agreements with proceeds of the City's or the Corporation's debt. As of June 30, 1992 and December 31, 1992, the Corporation has been advised that the City had funded \$440 million, respectively, of these programs.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS – (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

The Corporation is required to reimburse the State of New York for an allocable share of costs attributable to the provision of central governmental services pursuant to legislation enacted in 1989. Costs allocable to the Corporation are based on the lesser of the total amount of expenses incurred during the State's fiscal year in the provision of these services or a pro-rata share of \$20.0 million. The Corporation's pro-rata share is determined based upon the proportion of its outstanding bonds to the total outstanding debt, consisting of bonds, notes and other obligations, of all public benefit corporations covered by the legislation. The Corporation's estimated allocable share of cost for the State's 1993 fiscal year is \$3.0 million. The Corporation is also required to pay the State of New York a bond issuance charge upon the issuance of any bonds, notes or other obligations in an amount determined pursuant to statute. During the fiscal year ended June 30, 1992, such charges amounted to approximately \$1,332,000. Such amounts are included in the Operating Fund's Statement of Transactions as part of State Cost Recovery Assessment.

Under the Internal Revenue Code of 1986 (the "Code"), the Corporation is required to rebate to the United States any excess earnings from the investment of the proceeds of the bonds issued after August 31, 1986 over the yield on each such issue. Under the Code and regulations issued by the Department of the Treasury on May 18, 1992 (the "Regulations"), the Corporation will be required to pay any such excess earnings within 60 days of the end of the fifth year following issuance and each succeeding fifth year for each affected issue, with a final payment required to be made within 60 days of retirement, maturity or redemption of each such issue. The Corporation's estimated federal rebate requirement as of June 30, 1992 was approximately \$5.5 million.

The Corporation agreed in 1976 to reimburse the Financial Control Board for a portion of the cost of providing certain oversight services of the City's financial affairs. The Corporation expects to reimburse the Financial Control Board an estimated \$2.1 million in fiscal year 1993.

State legislation passed in 1992 requires the Corporation to reimburse the Office of the State Comptroller for certain of the operating costs of the Office of the State Deputy Comptroller for New York City relating to its financial oversight responsibilities in its 1993 fiscal year in an amount of \$2,662,200.

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

**NOTES TO FINANCIAL STATEMENTS — (Continued)**

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

**NOTE 8—Investments in Marketable and other Securities:**

	(In Thousands)			December 31, 1992 Cost**
	Principal	June 30, 1992 Market	Cost	
<b>Marketable Securities:</b>				
<b>Debt Service Fund</b>				
Obligations Maturing in Less than One Year				
U.S. Treasury .....	\$305,945	\$307,851	\$308,363	\$384,358
One to Five Years				
U.S. Treasury .....	<u>89,900</u>	<u>92,653</u>	<u>92,157</u>	<u>-0-</u>
Total .....	<u>\$395,845</u>	<u>\$400,504</u>	400,520	384,358
Less:				
Unrealized Loss .....			(16)	(2,641)
Total .....			<u>\$400,504</u>	<u>\$381,717</u>
<b>Second Capital Reserve Fund</b>				
Obligations Maturing in Less than One Year				
U.S. Treasury .....	\$ 13,503	\$ 13,561	\$ 13,497	\$189,282
One to Five Years				
U.S. Treasury .....	451,514	460,719	444,427	253,752
Over Five Years				
U.S. Treasury .....	<u>188,778</u>	<u>91,071</u>	<u>95,652</u>	<u>105,975</u>
Total .....	<u>\$653,795</u>	<u>\$565,351</u>	<u>\$553,576</u>	<u>\$549,009</u>
<b>1991 Bond Reserve Fund</b>				
Obligations Maturing in Less than One Year				
U.S. Treasury .....	\$ 36,007	\$ 36,750	\$ 36,449	\$ 99,497
One to Five Years				
U.S. Treasury .....	<u>63,535</u>	<u>66,406</u>	<u>64,327</u>	<u>4,021</u>
Total .....	<u>\$ 99,542</u>	<u>\$103,156</u>	<u>\$100,776</u>	<u>\$103,518</u>
<b>Other Securities:</b>				
<b>1991 Bond Reserve Fund</b>				
Obligation Maturing in One to Five Years				
State and Local Government Series* .....	\$ 7,391	\$ 7,391	\$ 7,391	\$ 7,391
Total .....	<u>\$ 7,391</u>	<u>\$ 7,391</u>	<u>\$ 7,391</u>	<u>\$ 7,391</u>

\* Such securities cannot be sold on the open market and can only be redeemed prior to maturity at a price imposed by the U.S. Treasury.

\*\* Market values of securities held in the Debt Service, Second Capital Reserve and 1991 Bond Reserve Funds at December 31, 1992 were \$381.717, \$565.182 and \$104.971 million, respectively.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**SUMMARY OF ANNUAL PRINCIPAL PAYMENTS BY FISCAL YEAR**

June 30, 1992

(In Thousands)

FY Ending 6/30	Second General Bond Resolution Total Principal*	1991 General Bond Resolution Total Principal*	Total Principal*
1993 .....	\$ -0-	\$143,955	\$ 143,955
1994 .....	158,335	229,440	387,775
1995 .....	170,400	13,940	184,340
1996 .....	184,185	5,750	189,935
1997 .....	185,490	6,155	191,645
1998 .....	262,150	6,590	268,740
1999 .....	291,865	7,060	298,925
2000 .....	331,025	7,560	338,585
2001 .....	288,735	8,100	296,835
2002 .....	309,490	8,680	318,170
2003 .....	331,890	9,305	341,195
2004 .....	356,100	9,985	366,085
2005 .....	382,170	10,735	392,905
2006 .....	410,170	11,435	421,605
2007 .....	440,205	12,185	452,390
2008 .....	472,485	13,040	485,525
2009 .....	506,280	13,945	520,225
Total .....	<u>\$5,080,975</u>	<u>\$517,860</u>	<u>\$5,598,835</u>

\* Excludes refunded bonds and gives effect to the Second General Bond Resolution payment of \$257.1 million on July 1, 1992.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS**

**June 30, 1992**

(In Thousands)

<u>FY ending 6/30</u>	<u>Second General Bond Resolution Total Principal and Interest*</u>	<u>1991 General Bond Resolution Total Principal and Interest*</u>	<u>Total Principal and Interest*</u>
1993 .....	\$ 510,172	\$236,268	\$ 746,440
1994 .....	511,695	89,453	601,148
1995 .....	513,796	13,779	527,575
1996 .....	502,503	13,832	516,335
1997 .....	565,273	13,883	579,156
1998 .....	576,915	13,935	590,850
1999 .....	595,385	13,981	609,366
2000 .....	530,758	14,026	544,784
2001 .....	530,809	14,068	544,877
2002 .....	530,820	14,109	544,929
2003 .....	530,855	14,162	545,017
2004 .....	530,871	14,254	545,125
2005 .....	530,859	14,300	545,159
2006 .....	530,815	14,352	545,167
2007 .....	531,004	14,464	545,468
2008 .....	531,484	14,573	546,057
Total .....	<u>\$8,554,014</u>	<u>\$523,439</u>	<u>\$9,077,453</u>

\* Excludes refunded bonds.



**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**SUMMARY OF ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS**

June 30, 1992

(In Thousands)

FY ending 6/30	Second General Bond Resolution*	1991 General Bond Resolution	Total Debt Service on Bonds Outstanding*	Estimated Coverage Ratios†	
				Second Resolution Bonds	1991 Resolution Bonds
1993 .....	\$ 620,809**	\$165,085***	\$ 785,894	7.94	26.10
1994 .....	507,607	245,467	753,074	9.71	18.01
1995 .....	508,847	22,396	531,243	9.69	197.36
1996 .....	510,655	13,693	524,348	9.65	322.67
1997 .....	499,328	13,738	513,066	9.87	322.44
1998 .....	560,908	13,781	574,689	8.79	316.96
1999 .....	571,937	13,824	585,761	8.62	315.18
2000 .....	589,630	13,860	603,490	8.36	313.09
2001 .....	525,686	13,894	539,580	9.38	316.92
2002 .....	525,322	13,925	539,247	9.38	316.24
2003 .....	524,893	13,955	538,848	9.39	315.59
2004 .....	524,463	13,996	538,459	9.40	314.70
2005 .....	523,995	14,093	538,088	9.41	312.57
2006 .....	523,475	14,128	537,603	9.42	311.83
2007 .....	522,887	14,170	537,057	9.43	310.95
2008 .....	522,700	14,268	536,968	9.43	308.82
2009 .....	523,083	14,363	537,446	9.42	306.75
Total .....	<u>\$9,086,225</u>	<u>\$628,636</u>	<u>\$9,714,861</u>		

† Estimated coverage ratios on Second Resolution Bonds are based upon New York State Sales Tax, Stock Transfer Tax and Per Capita Aid Revenues for the twelve months ended June 30, 1992, reduced by Operating Expenses of \$13.4 million, divided by debt service on Second Resolution Bonds. Estimated coverage ratios on the 1991 Resolution Bonds are based upon all revenues, reduced by debt service on Second Resolution Bonds and Operating Expenses, divided by debt service on the 1991 Resolution Bonds. All revenues for the twelve months ended June 30, 1992, include \$4,465.5 million combined New York State Sales and Stock Transfer Tax and \$476.9 million (exclusive of \$58.1 million of potential prior claims) in Per Capita Aid.

\* Excludes refunded bonds.

\*\* Includes \$443.6 million, which was paid in July 1, 1992, as debt service payment on Second General Resolution Bonds.

\*\*\* Includes \$5.5 million, which was paid on July 1, 1992 as debt service payment on 1991 General Resolution Bonds.

LAW OFFICES

## ORRICK, HERRINGTON &amp; SUTCLIFFE

599 LEXINGTON AVENUE  
 NEW YORK, NEW YORK 10022  
 TELEPHONE (212) 326-8800  
 TELECOPIER (212) 326-8900

FRANCISCO, CALIFORNIA 94111  
 400 SANSOME STREET  
 TELEPHONE (415) 392-1122

SACRAMENTO, CALIFORNIA 95814  
 555 CAPITOL MALL  
 TELEPHONE (916) 447-9200

LOS ANGELES, CALIFORNIA 90017  
 777 SOUTH FIGUEROA STREET  
 TELEPHONE (213) 629-2020

March , 1993

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

Dear Sirs:

We have examined a record of proceedings relating to the issuance of \$132,135,000 aggregate principal amount of Series C Bonds (the "Series C Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the "Act").

The Series C Bonds are authorized and issued under and pursuant to the Act and the 1991 General Bond Resolution of the Corporation, adopted February 6, 1991, as amended and supplemented to the date hereof (the "1991 General Bond Resolution"), and the Series C Resolution, adopted March 4, 1993 (the "Series Resolution"). The 1991 General Bond Resolution and the Series Resolution are herein collectively called the "Resolutions."

The Series C Bonds are part of an issue of bonds of the Corporation (the "Bonds") which the Corporation has established and created under the terms of the 1991 General Bond Resolution and is authorized to issue from time to time for the corporate purposes of the Corporation authorized by the Act, as then in effect and without limitation as to amount except as provided in the Resolutions and certain agreements of the Corporation or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation, including the Series C Bonds, to limit the issuance of additional bonds, including a covenant with the owners of the Series C Bonds not to issue any additional bonds under the First General Bond Resolution (as defined in the 1991 General Bond Resolution). The Series C Bonds are being issued for the purposes set forth in the Series Resolution.

The Corporation is authorized to issue Bonds in addition to the Series C Bonds and to all other such Bonds theretofore issued, only upon the terms and conditions set forth in the 1991 General Bond Resolution and such Bonds, when issued, shall, with the Series C Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the 1991 General Bond Resolution.

The Series C Bonds are dated March 1, 1993, except as otherwise provided in the Resolutions with respect to certain registered Series C Bonds issued on or after the first interest payment date, will mature on each of the dates and will bear interest at the rates and in the manner provided in the Resolutions.

The Series C Bonds are issued only in fully registered form in the denomination of \$5,000 or any integral multiple thereof. Series C Bonds are lettered and number CR-followed by the month and the last two digits of the year of maturity and by the number of the Series C Bond.

Certain of the Series C Bonds will be subject to redemption prior to maturity in the manner provided in the Resolutions.

Chapter 168, 169, 868 and 870 of the Laws of 1975, as amended to the date hereof, each enacted by the People of the State, represented in Senate and Assembly of the State and signed into law by the Governor of the State (the "Enabling Legislation") provide for, among other things, the insertion of the Act in the Public Authorities Law, creating the Corporation as aforesaid, adding a new section 92-e to Article 6 of the State Finance Law, constituting Chapter 56 of such Consolidated Laws, establishing a municipal assistance aid fund (the "Aid Assistance Fund") and a special account for the Corporation within the Aid Assistance Fund (the "Special Aid Account"), amending section 54 of the State Finance Law to provide for the apportionment and payment into the Special Aid Account of amounts of per capita aid appropriated by the Legislature of the State and otherwise payable out of the General Fund of the State to The City of New York, New York ("The City") thereunder subject to payments being made as follows: (i) any amounts required to be paid to the City University Construction Fund pursuant to the City University Construction Fund Act, Article 125-B of the Education Law, constituting Chapter 16 of such Consolidated Laws; (ii) any amounts required to be paid to the New York City Housing Development Corporation pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 41 of such Consolidated Laws; (iii) any amounts required to be paid by The City to the New York City Transit Authority pursuant to the provisions of chapter seven of the laws of the State of nineteen hundred seventy-two; (iv) any amounts required to be paid by The City to the State to repay an advance made in 1974 to subsidize the fare of the New York City Transit Authority; and (v) five hundred thousand dollars to the chief fiscal officer of The City for payment to the trustees of the police pension fund of such City pursuant to the provisions of paragraph e of subdivision 7 of such section 54 of the State Finance Law, suspending the power of The City to adopt local laws for the imposition of certain sales and compensating use taxes pursuant to sections 1210 and 1212-A of Article 29 of the Tax Law, constituting Chapter 60 of such Consolidated Laws, and the taxes imposed pursuant to said sections, until all notes and bonds of the Corporation, including the Series C Bonds, and interest thereon have been fully paid and discharged, adding a new section 92-d to Article 6 of the State Finance Law establishing a municipal assistance tax fund (the "Tax Assistance Fund") and a special account for the Corporation within the Tax Assistance Fund (the "Special Tax Account"), and adding a new section 1107 to Article 28 of said Tax Law imposing sales and compensating use taxes in The City at a rate of four percent (4%) on certain items therein described and at a rate of six percent (6%) on the sale of certain parking services (the "Sales Tax"), the revenues derived from which, less such amounts as the Commissioner of Taxation and Finance determines to be necessary for reasonable costs in administering, collecting and distributing such taxes, are required to be paid into the Special Tax Account, together with, after deducting such costs, such amounts, as may be required under the Enabling Legislation to be transferred from the Stock Transfer Tax Fund established by section 92-b of Article 6 of said State Finance Law, into which the revenues derived from a tax imposed by Article 12 of the Tax Law (the "Stock Transfer Tax") are deposited.

Certain requirements and procedures contained or referred to in the documents relating to the Series C Bonds may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, in connection with which the advice or approving opinion of nationally recognized bond counsel would be required. We express no opinion as to any Series C Bonds or the interest thereon with respect to federal tax matters if any such change occurs or action is taken or omitted without such advice or approval or upon the advice or approval of bond counsel other than ourselves.

The Internal Revenue Code of 1986 (the "Code") establishes certain restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on the Series C Bonds, including those that must be met subsequent to the issuance and delivery of the Series C Bonds in order that interest on the Series C Bonds be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. We have assumed compliance with all covenants and agreements contained in the Arbitrage and Use of Proceeds Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that

future actions, omissions or events will not cause interest on the Series C Bonds to be included in gross income for federal income tax purposes. Noncompliance by the Corporation with such agreements and covenants may require inclusion in gross income of interest on the Series C Bonds retroactive to the date of issuance of the Series C Bonds, regardless of when such noncompliance occurs. In examining the documents and matters referred to above, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein. The opinions expressed herein may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur, and we disclaim any obligation to update this letter.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover matters not directly addressed by such authorities.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Corporation is duly created and validly exists as a corporate governmental agency and instrumentality of the State constituting a public benefit corporation under the laws of the State, including the Constitution of the State and the Act, with the good right and lawful authority and power to adopt the Resolutions, to issue the Bonds including the Series C Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series C Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the 1991 General Bond Resolution and is authorized and permitted by the 1991 General Bond Resolution. The Resolutions have been duly and lawfully adopted by the Corporation and both are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except for the covenant on behalf of the State required to be set forth in each Series C Bond pursuant to Chapter 201 of the Laws of New York of 1978 (the "State Covenant") as to which a separate opinion has been rendered on the date hereof, and no other authorization for the Resolutions is required. The Resolutions create the valid pledge and lien which they purport to create of the revenues, moneys, securities and funds held or set aside under the Resolutions, subject only to the application thereof to the purposes and on the conditions permitted by the Resolutions. The lien created by the Resolutions on such revenues, moneys, securities and funds in the Bond Payment Fund and the Bond Reserve Fund is and will be prior to all other liens thereon. All revenues, moneys and securities, as and when received, in the Bond Payment Fund and the Bond Reserve Fund in accordance with the Resolutions, will be validly subject to the pledge and lien created by the Resolutions.

3. The Series C Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The Series C Bonds are valid and binding general obligations of the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms, respectively, and the terms of the Resolutions, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally, and, except as otherwise set forth with respect to the State Covenant as to which a separate opinion has been rendered as aforesaid, are entitled, together with additional Bonds issued under the 1991 General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the 1991 General Bond Resolution and of the Act.

4. Pursuant to the Act and the 1991 General Bond Resolution, the Corporation has validly covenanted that the Chairman of the Corporation shall certify to the State Comptroller and the Mayor of The City, the amounts required, pursuant to subdivision 1 of Section 3036, of Section 3036-a and of Section 3036-b of the Act, for deposit in the funds established by the 1991 General Bond Resolution at the time or times and in the manner provided therein, including the amounts required for deposit in the Bond Payment Fund to pay all interest and all principal and redemption premium, if any, on bonds maturing or otherwise coming due and for deposit in the Bond Reserve Fund to maintain such funds at

their requirements. Such subdivisions provide for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the source of such payments being the Aid Assistance Fund into which is paid such per capita aid, subject to certain prior claims as described above, and, to the extent required, subject to the prior claim of the holders of obligations of the Corporation issued or to be issued pursuant to the Second General Bond Resolution (as such term is defined in the 1991 General Bond Resolution), the Tax Assistance Fund into which is paid the Sales Tax, and to the extent required, out of the Stock Transfer Tax Fund, the Stock Transfer Tax. The amount of per capita aid payable to The City and available for apportionment and payment from the General Fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds to the Corporation are subject to annual appropriation for such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate any such amounts so certified by the Chairman, as aforesaid.

5. The Series C Bonds do not constitute a debt either of the State or of The City, and neither the State nor The City shall be liable thereon, nor shall the Series C Bonds be payable out of any funds other than those of the Corporation.

6. The State has the good right and lawful authority:

(a) to provide for the appropriation of, and at least annually to appropriate out of the General Fund of the State, amounts for the purpose of per capita aid and to provide, with respect to certain amounts of such per capita aid payable to The City in accordance with the provisions of section 54 of the State Finance Law, for the apportionment and payment into the Special Aid Account of amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make any, or maintain any level of, such appropriation of per capita aid or to continue such procedure for apportionment and payment of such aid;

(b) to provide for the appropriation of, and at least annually to appropriate to the Corporation, from the Special Tax Account and from the Stock Transfer Tax Fund, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations;

(c) to suspend the power of The City to adopt local laws for the imposition of certain sales and compensating use taxes and the taxes levied thereunder, in accordance with the Enabling Legislation;

(d) to impose and to increase or decrease the Sales Tax and the Stock transfer Tax, but the State is not bound or obligated to continue the imposition of said taxes; and

(e) to establish the Aid Assistance Fund and the Special Aid Account within the Aid Assistance Fund, the Stock Transfer Tax Fund, the Tax Assistance Fund and the Special Tax Account within the Tax Assistance Fund, but the State is not bound or obligated to maintain the existence of said funds or accounts.

7. The Corporation, the owners of the Bonds, owners of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the per capita aid referred to hereinbefore or the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding (whether under Chapter 9 of the Federal Bankruptcy Code or otherwise) wherein a creditor of The City or The City seeks to assert a right to any such Taxes, such Stock Transfer Tax Fund or such Special Accounts superior or equal to the rights of owners of Bonds issued under the 1991 General Bond Resolution, neither The City nor such creditor will prevail in the court of final jurisdiction.

8. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance Fund, including the Special Tax Account therein (each such account or fund as presently constituted being a special fund of the State), would not constitute revenues applicable to the General

Fund of the State and hence neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special Tax Account and the Stock Transfer Tax Fund, do not constitute revenues applicable to the General Fund of the State and hence such collections would likewise not be authorized or mandated to be set apart or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State and hence, in the event of a failure to appropriate as above described, revenues of the State, otherwise applicable to the General Fund and therefore available for appropriation as per capita aid, will be subject to being set apart or applied as aforesaid.

9. Interest on the Series C Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes pursuant to Section 103 of the Code and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City). In addition, such interest is not a specific preference item for purposes of the individual or corporate federal alternative minimum taxes, although we observe that interest on the Series C Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series C Bonds.

10. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the Series C Bonds.

11. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the Series C Bonds, and the execution and delivery of the Series C Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined an executed Series C Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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LAW OFFICES

ORRICK, HERRINGTON & SUTCLIFFE

599 LEXINGTON AVENUE  
NEW YORK, NEW YORK 10022  
TELEPHONE (212) 326-8800  
TELECOPIER (212) 326-8900

SAN FRANCISCO, CALIFORNIA 94111  
400 SANSOME STREET  
TELEPHONE (415) 392-1122

SACRAMENTO, CALIFORNIA 95814  
555 CAPITOL MALL  
TELEPHONE (916) 447-9200

LOS ANGELES, CALIFORNIA 90017  
777 SOUTH FIGUEROA STREET  
TELEPHONE (213) 629-2020

March , 1993

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

Dear Sirs:

The Corporation now has outstanding an aggregate principal amount of \$123,750,000 Series 56 Bonds issued pursuant to the Second General Bond Resolution of the Corporation adopted on November 25, 1975, as amended and supplemented to the date hereof (the "Second General Bond Resolution") and pursuant to related Series Resolutions (the "Refunded Bonds"). In accordance with the provisions of Article XIV of the Second General Bond Resolution, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York (the "Trustee," as such term is defined in the Second General Bond Resolution), the principal of and interest on which, when due, together with other available moneys deposited with the Trustee will provide moneys sufficient to pay, when due, the principal or Redemption Price of, and interest until the redemption date on, the Refunded Bonds.

The Corporation has directed the Trustee to redeem or otherwise pay the Refunded Bonds as follows: (i) the principal of and interest on the Refunded Bonds maturing on July 1, 1994, July 1, 1995 and July 1, 1996 in the aggregate principal amount of \$13,670,000 will be paid when due, and (ii) on July 1, 1996, the Refunded Bonds maturing after July 1, 1996 will be redeemed at a redemption price (expressed as a percentage of the principal amount) of 102%.

Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the Refunded Bonds in accordance with the provisions of such Article XIV of the Second General Bond Resolution.

Very truly yours,



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**NEW ISSUE**

*In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants; interest on the Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel is further of the opinion that interest on the Series C Bonds is not a specific preference item for purposes of the individual or corporate federal alternative minimum taxes. However, Bond Counsel observes that interest on the Series C Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series C Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Series C Bonds. (See "PART 16 — TAX EXEMPTION AND TAX CONSEQUENCES".)*

**\$133,450,000\***

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
(A Public Benefit Corporation of the State of New York)  
**SERIES C BONDS**

(Issued Pursuant to the 1991 General Bond Resolution)

**Dated: March 1, 1993**

**Due: July 1, as shown below**

Principal of the Series C Bonds is payable at the corporate trust office of United States Trust Company of New York, trustee under the 1991 General Bond Resolution. Interest on the Series C Bonds is payable semi-annually on each January 1 and July 1, commencing July 1, 1993, by check or draft mailed to the registered owner. The Series C Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple of \$5,000.

The Series C Bonds maturing on or before July 1, 2003 are not subject to redemption prior to maturity. The Series C Bonds maturing after July 1, 2003 are subject to redemption at the option of the Corporation on or after July 1, 2003, as a whole on any date, or in part on any interest payment date or dates, at an initial redemption price of 101% of the principal amount thereof, plus accrued interest to the redemption date, all as more fully described herein.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1993	\$2,235,000	%	%	2001	\$ 8,395,000	%	%
1994	5,910,000			2002	8,885,000		
1995	6,150,000			2003	9,415,000		
1996	6,445,000			2004	9,985,000		
1997	6,775,000			2005	10,600,000		
1998	7,125,000			2006	11,275,000		
1999	7,520,000			2007	12,000,000		
2000	7,940,000			2008	12,795,000		

The Series C Bonds are issued pursuant to the 1991 General Bond Resolution and are payable from certain per capita State aid and revenues derived from certain sales and compensating use taxes imposed by the State of New York within The City of New York and, under certain conditions, the State stock transfer tax, subject to annual appropriation by the State Legislature and after satisfying debt service requirements, operating expenses and capital reserve funding requirements under the Second General Bond Resolution. The State is not bound or obligated to continue to appropriate such per capita State aid or to continue the imposition of such taxes or to make the necessary payments of such per capita State aid or the necessary appropriations of the revenues derived from such taxes. The Corporation has no taxing power. The Series C Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City shall be liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal of or interest on the Series C Bonds.

The Series C Bonds are offered when, as and if issued by the Corporation and received by the Underwriters and subject to approval of legality of Orrick, Herrington & Sutcliffe, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Certain legal matters will be passed on for the Underwriters by their counsel, Mudge Rose Guthrie Alexander & Ferdon, New York, New York. It is expected that the Series C Bonds in definitive form will be available for delivery on or about March 23, 1993 in New York, New York.

**Goldman, Sachs & Co.**  
**Merrill Lynch & Co.**

**Bear, Stearns & Co. Inc.**

**WR Lazard, Laidlaw & Mead**  
Incorporated

**Lehman Brothers**

**J. P. Morgan Securities Inc.**

**The First Boston Corporation**

The date of this Official Statement is March , 1993

\*Preliminary, subject to change.

This Preliminary Official Statement is subject to correction and change, and is not yet finally adopted. The Corporation has authorized the distribution of this Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Series C Bonds, the Corporation will complete, adopt and deliver a final Official Statement. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series C Bonds or any other securities of the Municipal Assistance Corporation For The City of New York by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by such Corporation and by other sources which are believed to be reliable by such Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of such Corporation or of the State of New York or of The City of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES C BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Lazard Frères & Co. - Financial Advisor

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**PART I – INTRODUCTION**

Certain factors and additional information that may affect decisions to invest in the Series C Bonds are described throughout this Official Statement which should be read in its entirety. Certain terms used in this Official Statement are defined in the Appendix or in PART 13 herein.

The Corporation. . . . . The Municipal Assistance Corporation For The City of New York is a public benefit corporation of the State created for the purpose of providing financing assistance and fiscal oversight for The City of New York (the “City”).

The Bonds. . . . . The Series C Bonds will be issued pursuant to the Corporation’s 1991 General Bond Resolution. Substantially all of the net proceeds of the Series C Bonds will be applied to refund all outstanding Series 56 Bonds issued pursuant to the Second General Bond Resolution (the “Refunded Bonds”). Certain revenues of the Corporation described below are pledged to the payment of the 1991 Resolution Bonds, including the Series C Bonds, which are general obligations of the Corporation and not obligations of either the State or the City.

Revenues Available to Pay Debt Service. . . . . The Corporation’s revenues pledged to the payment of 1991 Resolution Bonds are derived from moneys that are paid to United States Trust Company of New York, as trustee (the “Trustee”), subject to annual appropriation by the State Legislature, from Per Capita Aid, the Sales Tax and the Stock Transfer Tax (after satisfying debt service, operating expenses and capital reserve funding requirements under the Corporation’s Second General Bond Resolution). “Per Capita Aid” consists of amounts that otherwise would have been payable to the City under the State law that provides for a general revenue sharing program, if any, applicable to localities throughout the State. The “Sales Tax” consists of a State sales tax imposed within the City, at the rate of 4%, on most retail and certain other sales. The “Stock Transfer Tax” consists of the State tax on the transfer of stocks and certain other securities. The Corporation has no taxing power.

The authority of the State to impose and collect the Sales Tax and to pay the Sales Tax and Stock Transfer Tax revenues to the Corporation has been affirmed by the State’s highest court; the United States Supreme Court dismissed the appeal of the State court’s decision for lack of a substantial federal question.

For further information with respect to the Corporation’s revenues and debt service, as well as estimated coverage ratios, see “PART 5 – PAYMENT OF THE BONDS” and “PART 6 – DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS”.

Limitations on Bond Issuance. . . . . The 1991 General Bond Resolution provides that the Corporation is not to issue additional 1991 Resolution Bonds unless Sales Tax revenues, after deducting the maximum aggregate annual debt service payment on the Second Resolution Bonds and the current operating expenses of the Corporation, would cover maximum annual debt service payments on 1991 Resolution Bonds at least two times.

The Corporation has covenanted not to issue additional Second Resolution Bonds unless available revenues would cover estimated maximum annual debt service payments on Second Resolution Bonds at least two times.

There are no obligations outstanding under the First General Bond Resolution, and the Corporation has covenanted with the owners of the Series C Bonds not to issue any additional First Resolution Obligations.

Appropriation of Revenues.....

The State Legislature has appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since the inception of the Corporation. Under the State Constitution, however, the State Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation. The State Legislature is not bound or obligated to continue the appropriation of Per Capita Aid for the benefit of local governmental units.

The Corporation believes that any failure by the State to make annual appropriations for the benefit of the Corporation, as expected, would have a serious impact on the ability of the State and its agencies to raise funds in the public credit markets.

Outstanding Debt of the Corporation .....

After the issuance of the Series C Bonds and the refunding of the Refunded Bonds, the Corporation will have outstanding an aggregate of \$5.465 billion\* of its bonds, \$507.4 million\* issued under the 1991 General Bond Resolution and \$4.957 billion issued under the Second General Bond Resolution.

Obligations issued under the Corporation's 1991 and Second General Bond Resolutions have the benefit of separate reserve funds held by the respective trustees therefor. At December 31, 1992, such funds established under the Second and 1991 General Bond Resolutions, valued in accordance with the Act, contained \$554.8 million and \$114.1 million, respectively. Such amounts equalled or exceeded the required funding levels. No provision is made in the Act for certification by the Corporation to the State of any deficit in the Bond Reserve Fund established under the 1991 General Bond Resolution to be funded by any appropriation from other than Per Capita Aid, the Sales Tax or the Stock Transfer Tax. See "PART 5 - PAYMENT OF THE BONDS".

Certain Factors .....

Certain institutional investors, some of which are underwriters of this offering, hold substantial amounts of bonds of the Corporation. Such investors may, from time to time during and after the time when the Series C Bonds are being offered to the public, offer or sell bonds of the Corporation, which may have an adverse effect on the market for and the market price of the Series C Bonds.

The Corporation believes that the market for, the market price of, and the sources of payment of, the Series C Bonds may be affected by certain other factors described elsewhere in this Official Statement.

On January 19, 1993, the Governor released the Executive Budget for the State's 1994 fiscal year and a revision to the State's Financial Plan for fiscal 1993. On January 29, 1993, the City released its second quarter modification to the current four-year financial plan, projecting revenues and expenditures for its 1993 and 1994 fiscal years to be balanced in

\* Preliminary, subject to change.

accordance with GAAP. For a more detailed description of the State's 1994 Executive Budget and the State and City financial plans, see, in particular, "PART 7 - CERTAIN DEVELOPMENTS AFFECTING THE STATE" and "PART 8 - CERTAIN DEVELOPMENTS AFFECTING THE CITY - Fiscal Year 1993 and 1993-96 Financial Plan".

**PART 2 - BONDS BEING OFFERED**

**General**

The Series C Bonds will be issued pursuant to the 1991 General Bond Resolution and the Series C Resolution. The Series C Bonds will be dated and bear interest from March 1, 1993 to maturity or earlier date fixed for redemption. The Series C Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple of \$5,000. Principal of the Series C Bonds is payable at the corporate trust office of the Trustee. Interest on the Series C Bonds is payable semi-annually on each January 1 and July 1, commencing July 1, 1993, by check or draft mailed to the registered owners at their addresses, as the same appear on the books of the Corporation kept by the Trustee on the fifteenth day preceding an interest payment date. The Series C Bonds will be transferable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the Series C Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new Series C Bond issued upon such exchange or transfer and any other expenses of the Corporation or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) will be paid by the Corporation as operating expenses.

Pursuant to the Act, the Series C Bonds will include the 1978 State Covenant to the effect that the State shall not take certain actions, including any action that will substantially impair the authority of the Control Board to act in specified respects with regard to the City. See "PART 9 - VARIOUS CONTROL PROGRAMS - Control Board" and "PART 10 - AGREEMENT OF THE STATE OF NEW YORK".

United States Trust Company of New York is the Trustee under the 1991 General Bond Resolution. Its corporate trust office is located at 114 West 47th Street, New York, New York 10036. For further information concerning the Trustee, see "PART 14 - TRUSTEE".

**Redemption**

*Optional Redemption*

The Series C Bonds maturing on or before July 1, 2003 are not subject to redemption prior to maturity. The Series C Bonds maturing after July 1, 2003 are subject to redemption at the option of the Corporation on and after July 1, 2003, as a whole or in part on any date, at the following redemption prices (expressed as percentages of the principal amount), plus accrued interest to the date of redemption:

<u>Redemption Period</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
July 1, 2003 to June 30, 2004 .....	101%
July 1, 2004 and thereafter .....	100

**Additional Bonds and Notes**

Pursuant to the Act, through December 31, 1984, the Corporation was authorized to issue bonds and notes in an aggregate principal amount not exceeding \$10 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes, and notes issued to meet the City's seasonal borrowing requirements). Under this authorization, the Corporation issued approximately \$9.445 billion of bonds and notes.

In July 1990, the Act was amended to authorize the Corporation to issue up to an additional \$1.5 billion in bonds and notes to fund a portion of the capital programs of the New York City Transit Authority and the New York City School Construction Authority, under the terms contained in an agreement dated July 19, 1990 among the Corporation, the State and the City. This legislation also provides for a reduction in the new issuance authority to the extent that the transit and schools capital programs are funded by the City. As of February 24, 1993, the City advised the Corporation that it has funded \$615 million of these programs. The Corporation has not issued any bonds or notes for this purpose to date.

The Corporation continues to be authorized to issue bonds and notes to refund its outstanding bonds and notes, without limitation as to principal amount, under the Second and 1991 General Bond Resolutions. The State Legislature may amend the Act to change the authorized amount of bonds or notes which may be issued and the purposes therefor.

Additional 1991 Resolution Bonds may be issued on a parity with the Series C Bonds, provided that (a) an amount equal to the lesser of (i) the most recent collections of the Sales Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amount estimated by the State Commissioner of Taxation and Finance to be collected during the succeeding 12-month period from such sources, less (b) the maximum aggregate annual debt service on outstanding Second Resolution Bonds, less (c) estimated operating expenses of the Corporation for its then current fiscal year, is *at least two times* (d) the maximum annual debt service on Outstanding 1991 Resolution Bonds (including the particular series of such additional 1991 Resolution Bonds then proposed to be issued).

The 1991 General Bond Resolution permits 1991 Resolution Bonds to be issued with variable interest rates and containing various put and tender features. For purposes of all applicable additional debt incurrence tests and Bond Reserve Fund Requirement calculations relating to 1991 Resolution Bonds, each Variable Rate Bond shall be deemed to bear interest at such Bond's maximum permitted interest rate, and, unless specifically so provided in a series resolution, no payment as a result of any put or tender thereof shall have any effect on any such test or calculation.

Additional Second Resolution Bonds may be issued on a parity with outstanding Second Resolution Bonds, provided that (a) an amount equal to the lesser of (i) the most recent collections of the Sales Tax and Stock Transfer Tax for 12 consecutive calendar months ended not more than two months prior to the date of such determination or (ii) the amounts estimated by the State Commissioner of Taxation and Finance to be collected during the succeeding 12-month period from such sources, plus (b) the estimated or actual amount of Per Capita Aid to be or theretofore apportioned and paid to the Municipal Assistance State Aid Fund for the fiscal year of the State during which such additional Second Resolution Bonds are to be issued, less (c) the maximum annual debt service on outstanding First Resolution Obligations, less (d) estimated operating expenses of the Corporation for its then current fiscal year, is *at least two times* (e) the maximum annual debt service on outstanding Second Resolution Bonds (including the particular series of such additional Second Resolution Bonds then proposed to be issued).

There are no bonds, notes or other obligations outstanding under the First General Bond Resolution. The Corporation has covenanted with the owners of the Series C Bonds not to issue additional First Resolution Obligations. The 1991 General Bond Resolution contains further limitations upon the issuance by the Corporation of additional obligations under the Second General Bond Resolution. See "PART 13 — SUMMARY OF CERTAIN PROVISIONS OF THE 1991 GENERAL BOND RESOLUTION — General".

### **PART 3 – USE OF PROCEEDS AND PLAN OF REFUNDING**

The net proceeds of the sale of the Series C Bonds are expected to be approximately \$ million. Substantially all of such net proceeds, together with other available moneys of the Corporation, will be used to refund the Refunded Bonds (being all outstanding Series 56 Bonds).

The Series 56 Bonds are currently outstanding in the aggregate principal amount of \$123.75 million, consisting of an aggregate of \$54.575 million serial bonds due on July 1 in each of the years 1994 through 2002, \$19.16 million term bonds due July 1, 2004 and \$50.015 million term bonds due July 1, 2008. The Series 56 Bonds scheduled to mature on July 1, 1994 and July 1, 1995 will be paid at the maturity thereof at 100% of the principal amount thereof. The Series 56 Bonds maturing on and after July 1, 1996 are to be redeemed on July 1, 1996 at a redemption price of 102% of the principal amount thereof, plus accrued interest to the redemption date.

To accomplish the refunding of the Refunded Bonds, substantially all of the net proceeds of the Series C Bonds, together with other available moneys of the Corporation, are to be used to purchase Government Obligations. The principal of and interest on all such Government Obligations, when due, is to provide moneys sufficient, together with other moneys from the net proceeds of the Series C Bonds, to pay when due the redemption price of, together with interest on, the Refunded Bonds. At the time of issuance of the Series C Bonds, the Corporation shall cause the Government Obligations and moneys to be deposited in a special trust and to be held by United States Trust Company of New York, as the trustee under the Second General Bond Resolution. At such time, the Corporation will give such trustee irrevocable instructions to apply the special trust fund solely for the payment of (i) the principal of and interest on the Refunded Bonds maturing on July 1, 1994 and July 1, 1995 when due and (ii) on July 1, 1996 the redemption price of, together with interest on, the Refunded Bonds maturing on and after July 1, 1996.

Upon the giving of such instructions, the Refunded Bonds will no longer be outstanding for purposes of the Second General Bond Resolution. Accordingly, the principal of and interest on the Refunded Bonds maturing on July 1, 1994 and July 1, 1995 and redemption price of, together with interest to the redemption date on, the Refunded Bonds maturing on and after July 1, 1996 will be payable solely from the special trust fund.

### **PART 4 – THE CORPORATION**

#### **Background, Purposes and Powers**

The Corporation is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation. The Corporation was created by State legislation adopted in June 1975 (as amended to date, the "Act"), for the purpose of providing financing assistance and fiscal oversight for the City. To carry out such purpose, the Corporation was given the authority, among other things, to issue and sell bonds and notes, to pay or lend funds received from such sales to the City, to exchange the Corporation's obligations for those of the City and to issue bonds to refund outstanding bonds. Between June 1975 and June 1978, the Corporation issued its obligations in accordance with this purpose and the City was provided with seasonal loans by the federal government and long-term financing by certain City pension funds and the Corporation. In September 1975, the Control Board was established to oversee the financial affairs of the City.

By June 1978, the City had brought its operating budget into balance in accordance with State law and accomplished other budgetary and accounting objectives. Despite this progress, it became clear that further actions would be necessary to enable the City to obtain its own financing. As a result, a four-year plan of financing (the "Four Year Plan") was developed in November 1978 among the Corporation, the City, the State and the United States of America to provide long-term financing, including \$1.65 billion of federally guaranteed City bonds, for the City over the four fiscal years ending June 1982, during which time the City was required to follow a plan to bring its operating budget into balance in accordance with generally accepted accounting principles ("GAAP") and to enable it to regain access to the public credit markets. All debt issuances scheduled under the Four Year Plan



were completed. To enable the Corporation to continue to assist in financing the City's capital needs after its 1982 fiscal year, the State enacted legislation in June 1980 increasing the amount of obligations which the Corporation could issue to \$10 billion (excluding refunding obligations and certain short-term notes) and extending through December 31, 1984 the period during which the Corporation could issue obligations to provide capital funds to the City. In July 1990, the Act was amended to authorize the Corporation to issue up to an additional \$1.5 billion in bonds and notes (exclusive of refunding obligations) to fund a portion of the capital programs of the New York City Transit Authority and the New York City School Construction Authority, as described further under "PART 2 - BONDS BEING OFFERED - Additional Bonds and Notes".

#### **Outstanding Debt of the Corporation**

From the period of the Corporation's inception through December 31, 1984, the Corporation issued approximately \$9.445 billion aggregate principal amount of bonds and notes for purposes of the \$10 billion statutory issuance limit (which limit excludes all refunding obligations). After issuance of the Series C Bonds and the refunding of the Refunded Bonds, the Corporation will have outstanding (excluding bonds that have been refunded) \$507.4 million\* aggregate principal amount of 1991 Resolution Bonds and \$4.957 billion\* aggregate principal amount of bonds issued under the Second General Bond Resolution. The 1991 General Bond Resolution provides that all Outstanding 1991 Resolution Bonds will be on a parity with each other, regardless of the date of issuance.

Second Resolution Bonds have a claim prior to that of 1991 Resolution Bonds on all amounts available to the Corporation from the Sales Tax and the Stock Transfer Tax and from Per Capita Aid. The Second General Bond Resolution restricts the issuance of additional bonds thereunder. See "PART 2 - BONDS BEING OFFERED - Additional Bonds and Notes".

For additional information concerning the financial condition of the Corporation, see the audited financial statements of the Corporation for the fiscal year ended June 30, 1992, and the unaudited financial statements of the Corporation for the six months ended December 31, 1992, annexed hereto as Exhibit A, and "PART 19 - FINANCIAL STATEMENTS".

#### **Additional Revenues**

Approximately \$1.075 billion in additional revenues of the Corporation were made available to the City during fiscal years 1984 through 1988 under an agreement with the State and the City. The City had agreed to use these funds for capital purposes, economic development and operating expenses.

In two subsequent agreements with the State and the City (the "1986 and 1989 Agreements"), an aggregate of approximately \$2.350 billion in additional revenues were made available to the City. These revenues were to be used as follows: \$925 million to the New York City Transit Authority for capital projects, \$600 million to the New York City School Construction Authority for capital projects, \$525 million for City operating purposes and \$300 million for the early redemption of a portion of the Corporation's outstanding debt.

On July 19, 1990, pursuant to the amended Act, the Corporation, the State and the City entered into a new agreement amending the 1986 and 1989 Agreements. Under the new agreement, the Corporation is to make available for City operations during fiscal years 1990 through 1997, inclusive, \$1.465 billion of its excess revenues which previously had been committed to the capital programs of the New York City Transit Authority and the New York City School Construction Authority. The Act and the new agreement further provides that to the extent the City does not fund these capital programs in accordance with the schedules set forth in the 1986 and 1989 Agreements, they are to be funded by the Corporation's debt issued under the 1991 General Bond Resolution. The Corporation has been advised, as of February 24, 1993, that the City has funded \$615 million of these programs. The Corporation has not issued any bonds or notes for this purpose to date.

\*Preliminary, subject to change.

## PART 5 – PAYMENT OF THE BONDS

### General

The 1991 Resolution Bonds are general obligations of the Corporation payable out of certain pledged revenues as well as any other available revenues of the Corporation. The 1991 Resolution Bonds are entitled to a first lien, created by the pledge under the 1991 General Bond Resolution, on all moneys and securities paid or deposited into the Corporation's Bond Payment Fund and Bond Reserve Fund under the 1991 General Bond Resolution, which are held by the Trustee. Such moneys and securities include the following:

- (i) amounts derived from Per Capita Aid, less certain prior statutory claims, none of which has been asserted since the inception of the Corporation, after satisfying annual funding requirements for the Corporation's outstanding Second Resolution Bonds;
- (ii) amounts derived from the Sales Tax and Stock Transfer Tax, after satisfying annual funding requirements for the Corporation's outstanding Second Resolution Bonds and operating expenses of the Corporation; and
- (iii) any interest or income earned on investments of amounts deposited into the Bond Payment Fund and Bond Reserve Fund.

The amounts described in (i) and (ii) above are paid to the Corporation from two special funds established by the Finance Law and held in the custody of the State Comptroller, the Municipal Assistance State Aid Fund (the "State Aid Fund") and the Municipal Assistance Tax Fund, respectively. The Finance Law provides that the State Comptroller shall make payments from these special funds to the Corporation's Bond Payment Fund and Bond Reserve Fund, in accordance with certificates of the Corporation setting forth the amount and timing of its cash requirements, on a quarterly basis in order to deposit these amounts in advance of interest and principal payment dates and bond reserve funding dates. (Although quarterly payments of Per Capita Aid are provided for by the Finance Law, substantially all of the Per Capita Aid payable to the Corporation is paid on an annual basis in June.) Payments of Per Capita Aid revenues and Sales Tax and Stock Transfer Tax revenues are to be made to the Corporation to meet requirements under the 1991 General Bond Resolution only to the extent such revenues are not needed to meet requirements under the Second General Bond Resolution.

Under existing law, after the Corporation's certified requirements have been satisfied in full for a particular quarter, excess moneys in such special funds are to be paid to the City, except that Stock Transfer Tax revenues not required by the Corporation are paid to a fund established to provide rebates of such tax. Pursuant to the Finance Law, the State Comptroller may not disburse Sales Tax or Stock Transfer Tax revenues or Per Capita Aid held by the State Comptroller to the City or any other entity so long as an amount certified by the Corporation, as required to be paid by the date of disbursement to the City, remains unpaid.

Legislation was enacted in December 1989 authorizing a referendum by the residents of the Borough of Staten Island to approve the establishment of a charter commission to facilitate a secession from the City. Subsequently, the City instituted a lawsuit in which it sought to prevent the referendum from being placed on the ballot in Staten Island. In September 1990, the New York State Court of Appeals ruled that such referendum could be on the ballot, but noted that it was giving no opinion as to the ultimate legality of a secession. Such referendum appeared on the November 1990 ballot and received a majority of affirmative votes. Pursuant to the December 1989 legislation, the charter commission has drafted a proposed charter for a city of Staten Island which was presented to the Governor and the State Legislature on February 2, 1993 and is to be voted on by its residents in November, 1993. A subsequent amendment to the December 1989 legislation gives the State Legislature the power to approve any such secession, which cannot take place without such approval, after a charter has been approved by the Staten Island residents. The Corporation has proposed legislation that requires that in the event of a Staten Island secession and while any obligations of the Corporation remain

outstanding, the portion of the Sales Tax attributable to Staten Island would continue to be imposed and collected for the benefit of the Corporation and Per Capita Aid otherwise payable to Staten Island would first be made available to the Corporation.

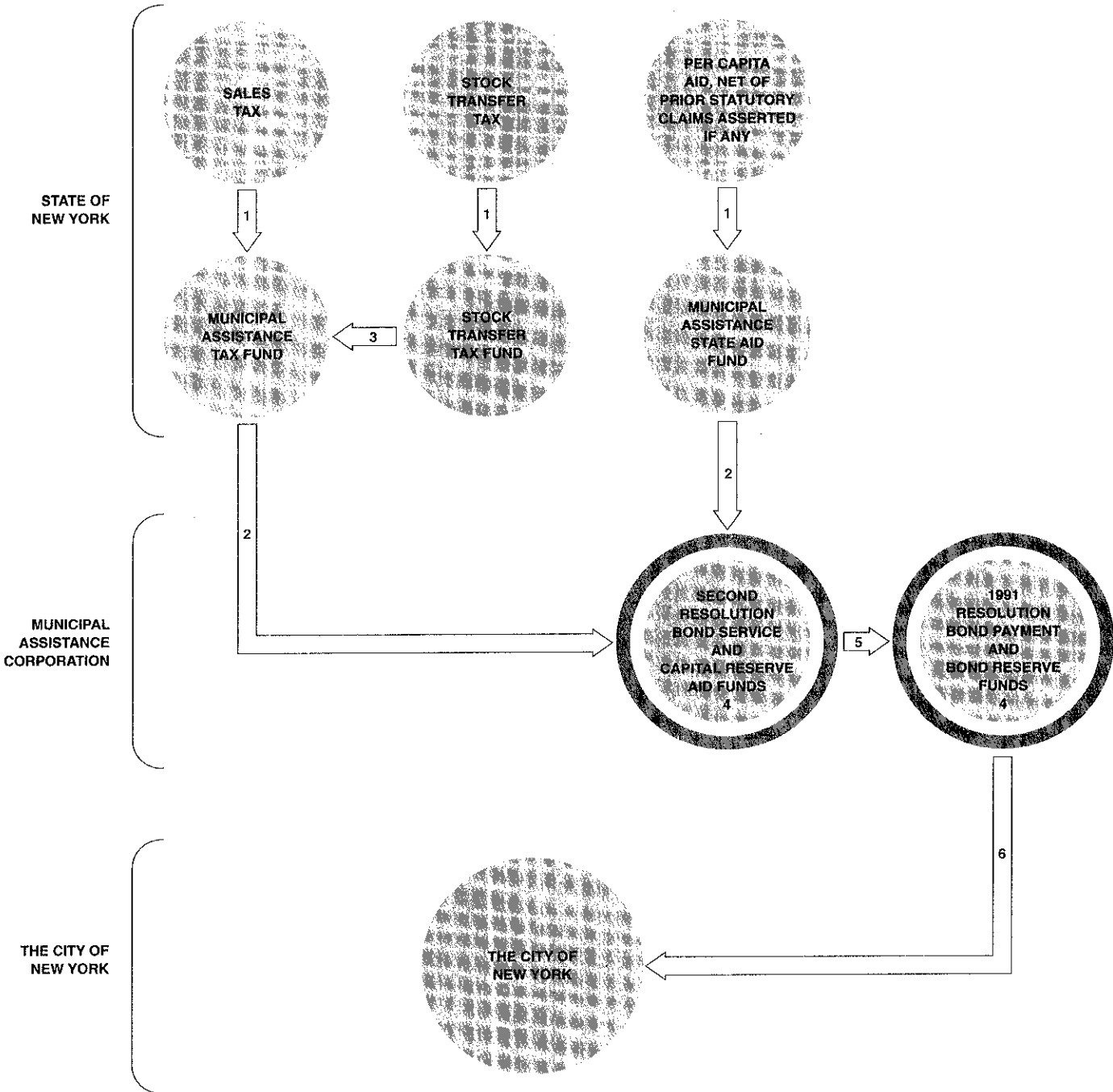
Members of the State Legislature representing portions of the Borough of Queens have introduced legislation in both the State Assembly and State Senate which could provide for a referendum and possible secession of such borough from the City.

Payments to the Corporation by the State are required to be made by the State only if and to the extent that such amounts have been appropriated by the State Legislature or that revenues have otherwise been made available therefore by the State.

The owners of the 1991 Resolution Bonds do not have any lien on Per Capita Aid, Sales Tax or Stock Transfer Tax until the moneys derived therefrom are paid into the Corporation's Bond Payment Fund and Bond Reserve Fund. The Act provides that any provision of the 1991 General Bond Resolution or the 1991 Resolution Bonds relating to payment by the State to the Corporation of Per Capita Aid, the Sales Tax or the Stock Transfer Tax is executory only to the extent of the moneys available from time to time from such Aid and Tax sources and held by the State, which moneys shall have been theretofore appropriated to the Corporation, and no liability on account thereof shall be incurred by the State beyond the moneys available from such sources.

The Corporation currently holds substantial amounts of bonds of the City. Such obligations held from time to time by the Corporation are not subject to the lien created by the pledge under the Second or 1991 General Bond Resolutions. In certifying its requirements, the Corporation may not take into account any amounts payable on such City obligations but not yet received by the Corporation. However, the requirements for any fund may be reduced to the extent that such moneys are received and deposited into such fund of the Corporation. See "PART 8 - CERTAIN DEVELOPMENTS AFFECTING THE CITY - Fiscal Year 1993 and 1993-96 Financial Plan".

The following chart illustrates the flow of money as described herein:



1. Subject to appropriation by the State Legislature.
2. Upon certification by the Corporation.
3. To the extent required by the Corporation; otherwise, for payment of rebates to the payors of the Stock Transfer Tax.
4. And operating expenses of the Corporation.
5. After deduction of the amounts needed for Second Resolution debt service and capital reserve funding and operating expenses.
6. After payment of all amounts certified by the Corporation. Amounts paid to the City are paid directly by the State.

The Corporation is a corporate governmental agency and instrumentality of the State and not of the City. The Corporation has no taxing power. The 1991 Resolution Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City is liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal or interest on the 1991 Resolution Bonds.

If the Corporation were to be authorized by State law to file a petition under Chapter 9 of the Federal Bankruptcy Code, and if it were to meet other conditions specified in such Chapter, the Corporation could file a petition for relief under Chapter 9 pursuant to which the Corporation's securities could be adjusted or modified. The Corporation is not now authorized by the State to file a Chapter 9 petition and the Corporation does not anticipate that it will seek authorization or need the relief provided by Chapter 9.

#### **Appropriation by State Legislature**

The Finance Law provides that the State Legislature shall appropriate Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation, and the State Legislature has so appropriated Per Capita Aid, the Sales Tax and the Stock Transfer Tax for each of the State's fiscal years since the inception of the Corporation. Under the State Constitution, however, the State Legislature cannot be bound or obligated to appropriate such revenues for the benefit of the Corporation.

The Corporation believes that any failure by the State Legislature to make appropriations for the benefit of the Corporation as expected would have a serious impact on the ability of the State and its agencies to raise funds in the public credit markets. See "PART 7 - CERTAIN DEVELOPMENTS AFFECTING THE STATE".

The State is not bound or obligated to continue payment of Per Capita Aid or to impose either the Sales Tax or the Stock Transfer Tax or to make any appropriations to the Corporation of the revenues received therefrom. The 1991 General Bond Resolution, however, provides that each of the following shall constitute an event of default with respect to the 1991 Resolution Bonds: (i) the failure of the State to apportion and pay, if appropriated, Per Capita Aid, the failure of the State to maintain the State Aid Fund and the Special Aid Account therein or a reduction by the State of the amount of Per Capita Aid payable during any fiscal year to an amount less than the maximum annual debt service payable on the Outstanding 1991 Resolution Bonds; (ii) the failure of the State to continue the imposition of either the Sales Tax or the Stock Transfer Tax, each imposed by the Tax Law, as such Law may be amended, or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975; or (iii) the failure of the State Comptroller to pay to the Corporation the amounts certified by the Corporation.

The Finance Law provides that in no event shall the State Comptroller pay over and distribute to the City or any other entity other than the Corporation any Sales Tax or Stock Transfer Tax revenues or Per Capita Aid held in the special funds (other than for State administrative charges), unless and until the aggregate of all cash required by the Corporation at the date of such distribution has been appropriated and has been paid to the Corporation.

Provisions of the State Constitution and the Finance Law require the setting aside of the first revenues received that are applicable to the State's General Fund if the State Legislature fails to make an appropriation for the payment of State indebtedness. Although the Sales Tax and the Stock Transfer Tax are revenues of the State, they are applicable to special funds, rather than the State's General Fund. Consequently, under existing law, the provisions requiring moneys to be set aside to pay State obligations would not apply to the Sales Tax and Stock Transfer Tax. However, Per Capita Aid is apportioned and paid from the State's General Fund and may be subject to being set aside to pay State obligations in the event the State fails to pay such obligations.

#### **Per Capita Aid**

Per Capita Aid consists of revenues that would otherwise be paid to the City as the City's share of the State general revenue sharing program for localities throughout the State. The State, although not

obligated to do so, has appropriated moneys which have been apportioned among local governmental entities, including the City, in each year since 1946, and the State has provided some measure of assistance to local governments since 1800.

The apportionment of general revenue sharing among localities is based on a statutory formula which takes into account the distribution of the State's population, the total assessed valuation of real property taxable within the State, personal income and other factors. Both the determination of the amount of statewide general revenue sharing, if any, and the apportionment of such revenue sharing among localities are legislative acts and the State Legislature may amend or repeal the statutes relating to statewide general revenue sharing and the formulae which determine the amount of Per Capita Aid. Such amendments could result in the increase or decrease of the amount of Per Capita Aid available for the payment of debt service on 1991 Resolution Bonds. However, certain of such acts by the State Legislature would be events of default under the 1991 General Bond Resolution. See "Appropriation by State Legislature" in this PART 5. The financial condition of the State may affect the amount of Per Capita Aid, if any, appropriated by the State Legislature. The State Legislature is not bound or obligated to continue to appropriate Per Capita Aid from year to year.

The State enacted a statute in 1992 which moved the June Per Capita Aid payment into the preceding March so as to fall within the State's fiscal year. This legislation also provided for a State recovery of a portion of Per Capita Aid apportioned to the City after the Corporation's certified requirements have been satisfied, but before any excess moneys are paid to the City. See Part 8 — "CERTAIN DEVELOPMENTS AFFECTING THE CITY."

The following table, which presents data obtained from the City Office of Management and Budget, the State Comptroller's office and the State Division of the Budget, indicates the aggregate payments of Per Capita Aid apportioned and paid to the City and payable to the Corporation for the last ten fiscal years of the City.

PER CAPITA AID (Dollars in thousands)			
1983 .....	\$484,037	1988 .....	\$535,023
1984 .....	484,024	1989 .....	535,023
1985 .....	484,024	1990 .....	535,023
1986 .....	512,092	1991 .....	535,023
1987 .....	535,030	1992 .....	535,023

### Sales Tax

The Sales Tax is imposed within the City at the rate of 4% on receipts from most retail sales of tangible personal property and certain services and at the rate of 6% on receipts from parking, garaging or storing motor vehicles in the City. The Sales Tax is in addition to the 4% sales and compensating use taxes levied statewide and the ¼ of 1% sales and compensating use tax levied in the regions served by the Metropolitan Transportation Authority. The Sales Tax is subject to certain limited exceptions, exemptions and exclusions. Under the Finance Law, the Sales Tax is paid into a special fund held by the State Comptroller on a monthly basis.

The Sales Tax is imposed on substantially the same tax base as the sales and compensating use taxes previously imposed by the City and collected by the State. A tax on sales of certain tangible personal property and services had been imposed by the City since 1934.

Collections of the Sales Tax had increased in each of the nine complete fiscal years prior to the 1991 fiscal year during which collections declined by approximately \$100 million. The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such Sales Tax are necessarily indicative of future receipts. The City has experienced adverse trends in certain economic and demographic factors which contributed to a slowing of the growth rate and a decline of Sales Tax collections and receipts from certain economically sensitive taxes imposed within the City in fiscal 1991. However, subsequent Sales Tax collections have shown increases. Sales Tax collections for the

quarter ended December 31, 1992 increased approximately \$59.8 million from the collections for the quarter ended December 31, 1991. Sales Tax collections for the calendar year ended December 31, 1992 increased approximately \$38.9 million from the collections for the calendar year ended December 31, 1991. See "PART 8 - CERTAIN DEVELOPMENTS AFFECTING THE CITY - Fiscal Year 1993 and 1993-96 Financial Plan."

The following table sets forth State collections of the sales and compensating use taxes imposed by the State since July 1, 1982, on a quarterly basis for the last ten fiscal years of the City, after deductions of the costs of administration, collection and distribution.

QUARTERLY COLLECTIONS OF SALES AND COMPENSATING USE TAXES IN THE CITY(a)

Fiscal Year Ended June 30	Three Months Ended:				Total
	September 30	December 31	March 31	June 30	
	(Dollars in thousands)				
1983 .....	\$338,727	\$373,836	\$387,483	\$388,897	\$1,488,943
1984 .....	377,560	398,725	449,985	426,509	1,652,779
1985 .....	414,663	433,959	458,324	480,416	1,787,362
1986 .....	428,641	459,647	507,902	482,786	1,878,976
1987 .....	474,644	490,940	533,450	505,923	2,004,958
1988 .....	531,137	540,030	584,349	524,992	2,180,508
1989 .....	530,211	558,799	606,178	585,167	2,280,355
1990 .....	534,576	605,211	627,380	590,698	2,357,865
1991 .....	560,921	577,340	569,251	547,337	2,254,849
1992 .....	537,261	546,970	557,874	542,208	2,184,313
1993 .....	532,868	606,734			

SOURCE: State Department of Taxation and Finance.

(a) Quarterly distributions to localities are adjusted to compensate for overdistributions or underdistributions when data on actual collections by locality are available. Such adjustments are reflected in the table for the quarter in which the subsequent distributions are made. Since July 1981, adjustments have ranged from \$41,255 to \$19.3 million to reflect overdistributions for certain prior periods and from \$116,971 to \$24.5 million to reflect underdistributions for other prior periods. Periods subsequent to June 1992 remain subject to the ongoing process of adjustment.

**Stock Transfer Tax**

The Stock Transfer Tax is imposed at rates ranging from 1¼¢ to 5¢ (based on the selling price per share) on sales, agreements to sell, memoranda of sale and deliveries or transfers made within the State of shares or certificates of stock and certain other certificates. The imposition of the Stock Transfer Tax is subject to certain limited exceptions and is subject to a maximum tax of \$350 on any taxable transaction which involves a sale on a single day of shares or certificates of the same class issued by the same issuer.

The level of Stock Transfer Tax revenues is related to the rate of tax imposed, the price of the shares traded and the volume of transactions on the securities exchanges located in the City. Such volume has fluctuated widely so that there can be no assurance that the historical data with respect to collections of such tax are necessarily indicative of future revenues. The Corporation believes that it is not possible to predict the effect of developments with respect to the City's economic condition or other related economic developments in the City on Stock Transfer Tax collections.

The revenues derived from the Stock Transfer Tax, including amounts subject to rebate as discussed below, after deduction of the costs of administration, collection and distribution of such Stock Transfer Tax, are shown below for the last ten fiscal years of the City, based upon the various rates prevailing and types of transactions taxable during the periods shown:

QUARTERLY COLLECTIONS OF STOCK TRANSFER TAX

Fiscal Year Ended June 30	Three Months Ended:				Total
	September 30	December 31	March 31	June 30	
	(Dollars in thousands)				
1983 .....	\$163,745	\$249,295	\$252,921	\$281,920	\$ 947,881
1984 .....	247,247	241,706	252,536	224,565	966,054
1985 .....	235,580	231,066	282,442	267,372	1,016,460
1986 .....	274,239	319,102	371,743	386,934	1,352,018
1987 .....	375,583	349,185	415,665	420,039	1,560,472
1988 .....	480,436	487,001	368,501	355,110	1,691,048
1989 .....	337,204	330,339	352,619	391,802	1,411,964
1990 .....	403,781	406,655	408,516	399,602	1,618,554
1991 .....	429,745	414,464	462,665	491,068	1,797,942
1992 .....	489,243	547,402	683,043	561,491	2,281,179
1993 .....	518,170	603,950			

SOURCE: State Department of Taxation and Finance.

In 1977, the State enacted a program of gradually increasing rebates for all Stock Transfer Tax payers. Rebates began October 1, 1977 with respect to transactions by non-residents subject to the Stock Transfer Tax and began October 1, 1979 with respect to transactions by residents. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the Stock Transfer Tax at the above-stated rates and that revenues are to continue to be paid into the Stock Transfer Tax Fund, although a substantial portion of such revenues (the rebatable portion of the tax) will be paid into the Stock Transfer Tax Fund only at the end of each calendar quarter. To the extent that the Corporation does not require the use of Stock Transfer Tax revenues for debt service on its outstanding obligations, such revenues are available on a quarterly basis for payment of rebates.

To date, the Corporation has not found it necessary to use the revenues derived from the Stock Transfer Tax to pay its debt service. Based on present projections, the Corporation does not anticipate that it will be necessary to utilize these revenues in the future, although no assurance can be given that they will not be so required. See "PART 6 – DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS". If the Corporation were to require a substantial portion of the Stock Transfer Tax revenues otherwise subject to rebate, the resulting reduction in the amounts available for rebate could have an adverse effect upon the New York securities industry.

**Bond Reserve Fund**

The 1991 General Bond Resolution requires the Bond Reserve Fund to be at a level not less than the Bond Reserve Fund Requirement. The Bond Reserve Fund Requirement, as of any date of required determination, is an amount not less than one-half of the maximum debt service due in any calendar year on all 1991 Resolution Bonds Outstanding. The Bond Reserve Fund may be funded with bond or note proceeds or with the Corporation's revenues, but the Act makes no provision for certification by the Corporation of any deficit in such Fund to be funded by any appropriation from other than Per Capita Aid, the Sales Tax or the Stock Transfer Tax. The Corporation will cause the Bond Reserve Fund to be funded at an amount not less than the Bond Reserve Fund Requirement.

Moneys in the Bond Reserve Fund may not be withdrawn if such withdrawal would reduce the amount of such Fund to less than the Bond Reserve Fund Requirement, except for the purpose of paying debt service on the 1991 Resolution Bonds if other moneys of the Corporation are not available to make such payment. The Corporation has not found it necessary to use moneys in any of its reserve funds to pay debt service on any of its obligations.



**PART 6 – DEBT SERVICE PAYMENT REQUIREMENTS AND  
ESTIMATED COVERAGE RATIOS**

In order to estimate coverage ratios for the 1991 Resolution Bonds that will be outstanding, the Corporation has assumed certain amounts of Per Capita Aid and Sales Tax and Stock Transfer Tax collections. There is shown below the basis on which such amounts were calculated. The debt service payment requirements for the Second and 1991 Resolution Bonds as well as certain coverage ratios are also shown below.

**Adjusted Per Capita Aid**

The Corporation has estimated the amounts of the following potential claims and liabilities on Per Capita Aid that are payable prior to the payment of Per Capita Aid to the Corporation, although since the inception of the Corporation no such claims have been asserted.

	(Dollars in thousands)
Per Capita Aid available to the Corporation during the Corporation's 1992 fiscal year .....	\$535,023
<i>Less annual potential claims:</i>	
<i>(a) City University Construction Fund ("CUCF").</i>	
Amounts equal to 50% of CUCF's share of certain State Dormitory Authority debt service and other expenses would be a claim against Per Capita Aid if not paid by the City to CUCF. The Corporation has been informed by CUCF that such debt service and other expenses are approximately \$68.18 million during its current fiscal year. State law permits a maximum claim of \$65 million in any fiscal year of the City* ...	\$34,088
<i>(b) New York City Housing Development Corporation ("HDC").</i>	
Amounts required to restore the HDC capital reserve funds to the amount required to be on deposit in such funds would be a claim against Per Capita Aid if not otherwise paid. The Corporation has been informed by HDC that the aggregate capital reserve fund requirements on all outstanding bonds of HDC as of this date is approximately \$22.9 million. State law currently permits a maximum claim of \$30 million in any fiscal year .....	\$22,897
<i>Less annual liabilities:</i>	
<i>New York City Police Pension Fund.</i>	
Amounts due annually from Per Capita Aid to the Trustees of the City Police Pension Fund .....	\$ 500    \$ 57,485
Adjusted Per Capita Aid .....	\$477,538

\* Although State law purports to limit claims on Per Capita Aid, such limitation may not be effective in the event that the then outstanding bonds of the State Dormitory Authority for which Per Capita Aid may be claimed and issued to finance CUCF facilities are accelerated pursuant to the occurrence of an event of default under the related Dormitory Authority bond resolutions. In such event, all such outstanding bonds of the Dormitory Authority could be due and payable and could, to the extent of fifty percent of such principal amount, have a prior claim on Per Capita Aid. The Dormitory Authority has outstanding approximately \$2.8 billion of bonds, of which a portion may enjoy such prior claim. The State has, however, enacted legislation under which it commits, subject to annual appropriation, to pay 100% of CUCF's share of the Dormitory Authority's debt service with regard to senior college facilities.

### Aggregate Sales and Stock Transfer Taxes

Assuming that the Sales Tax and Stock Transfer Tax collections (after deduction of costs of administration, collection and distribution) in each fiscal year remain at the levels for the 12 months ended December 31, 1992, see "PART 5 -- PAYMENT OF THE BONDS -- Sales Tax" and "--Stock Transfer Tax", and operating expenses of the Corporation are \$13.6 million (the estimate for the 1993 fiscal year), the aggregate annual amount which would be available from the Sales Tax and the Stock Transfer Tax, if needed (the "Aggregate Sales and Stock Transfer Taxes"), to pay debt service of the Corporation is shown below:

	(Dollars) in thousands)
Sales Tax collections for the 12 months ended December 31, 1992 ...	\$2,239,685
Stock Transfer Tax collections for the 12 months ended December 31, 1992 .....	<u>2,366,654</u>
Sub-total .....	\$4,606,339
Less: Operating expenses of Corporation .....	<u>13,600</u>
Aggregate Sales and Stock Transfer Taxes .....	<u>\$4,592,739</u>

### Debt Service Requirements and Estimated Coverage Ratios

As shown above, Adjusted Per Capita Aid is approximately \$478 million and Aggregate Sales and Stock Transfer Taxes are approximately \$4,593 million, for a total of \$5,071 million.

The following table shows the aggregate annual debt service payment requirements on the Second Resolution Bonds which have a prior claim to that of the 1991 Resolution Bonds on the aggregate Sales and Stock Transfer Taxes and, Per Capita Aid.

In addition, the table shows the annual principal payments, interest payments and the aggregate debt service payment requirements on all outstanding 1991 Resolution Bonds, of which the Series C Bonds are the third series of 1991 Resolution Bonds Outstanding. The table also shows the coverage of annual debt service on 1991 Resolution Bonds by all revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) after deducting from such revenues the aggregate annual debt service requirements with respect to the Second Resolution Bonds and estimated operating expenses of the Corporation.

There is no assurance that Adjusted Per Capita Aid, Aggregate Sales and Stock Transfer Taxes or operating expenses will in fact remain at the levels referred to above in subsequent years. Furthermore, the Corporation reserves the right to issue additional obligations pursuant to the Second and 1991 General Bond Resolutions within the limitations contained in such General Bond Resolutions, the Series C Resolution, the Act and certain other resolutions of the Corporation.

DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS

(after issuance of the Series C Bonds and giving effect to the refunding of the Refunded Bonds)

(Dollars in thousands)

12-Month Period Ended June 30	Total Debt Service Payment Requirement on Second Resolution Bonds(a)	Debt Service Payment Requirements on 1991 Resolution Bonds(c)			Estimated Coverage Ratios on 1991 Resolution Bonds – All revenues after deducting Debt Service on Second Resolution Bonds(b)(c)
		Principal Payments(a)	Interest Payments	Total Debt Service	
1994 .....	497,600	231,675	21,397	253,072	18.07
1995 .....	494,825	19,850	14,797	34,647	132.06
1996 .....	496,571	11,900	14,094	25,994	175.95
1997 .....	485,185	12,600	13,501	26,101	175.67
1998 .....	546,710	13,365	12,844	26,209	172.60
1999 .....	557,688	14,185	12,120	26,305	171.55
2000 .....	575,329	15,080	11,326	26,406	170.23
2001 .....	511,338	16,040	10,457	26,497	172.06
2002 .....	510,925	17,075	9,509	26,584	171.51
2003 .....	510,452	18,190	8,482	26,672	170.96
2004 .....	509,974	19,400	7,376	26,776	170.31
2005 .....	509,456	20,720	6,217	26,937	169.32
2006 .....	508,889	22,035	5,001	27,036	168.72
2007 .....	508,242	23,460	3,696	27,156	167.99
2008 .....	507,992	25,040	2,293	27,333	166.92
2009 .....	508,302	26,740	783	27,523	165.75

(a) Includes Sinking Fund Installments.

(b) These coverage ratios reflect payment of \$13.6 million annual operating expenses of the Corporation.

(c) Preliminary, subject to change.

All revenues (Adjusted Per Capita Aid plus Aggregate Sales and Stock Transfer Taxes) would cover the aggregate of the debt service on all Second Resolution Bonds and 1991 Resolution Bonds, shown in the table above for the fiscal years 1994 through 2009, ranging from a low of 6.77 times in 1994 to a high of 9.94 times in 1997.

In addition to the aggregate debt service payments with respect to the Second Resolution Bonds shown in the above table, the Corporation is required to make deposits into the Capital Reserve Aid Fund established pursuant to the Second General Bond Resolution, which Fund is currently funded at not less than its required level.

## PART 7 – CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although bonds of the Corporation are not obligations of the State, financial developments with respect to the State may affect the market or sources of payment for, or market prices of, the Corporation's obligations. As described under "PART 5 – PAYMENT OF THE BONDS", the revenues of the Corporation that are pledged to payment of debt service on the 1991 Resolution Bonds derive from Per Capita Aid and the Sales Tax and, in certain circumstances, the Stock Transfer Tax. The payment of these revenues to the Corporation is subject to annual appropriation by the State Legislature. The State Legislature has made appropriations to the Corporation for each of the State's fiscal years since the inception of the Corporation, including appropriations for the State's current fiscal year, but the Corporation has no assurance that the State Legislature will make such appropriations for subsequent fiscal years. It is possible that the willingness of the State Legislature to make such appropriations in the future may be affected by the financial condition of the State, which may in turn depend upon the financial condition of the City.

The factors affecting the State's financial condition are complex, and the following description constitutes only a brief summary. This PART 7 is based entirely on information supplied by the State.

### Background

For decades, the State economy has grown more slowly than that of the nation as a whole, resulting in the gradual erosion of its relative economic affluence. The causes of this relative decline are varied and complex and in many cases involve national and international developments beyond the State's control. The long-term relative decline in the State's economy has been attributed, in part, to the combined State and local tax burden, which is among the highest in the nation. The existence of this tax burden limits the State's ability to impose higher taxes in the event of current or future financial difficulties.

The burden of State and local taxation, in combination with the many other causes of regional economic dislocation, may have contributed to the decisions of businesses and individuals to relocate outside, or not locate within, the State. Certain manufacturing facilities have relocated to other states. This trend has been partially offset, however, by the location of some new manufacturing facilities in the State and by expansion of existing facilities in the State. While the State's economy in most respects performed better than that of the nation during the early 1980's, since 1984 the State's rate of economic expansion has been somewhat slower than that of the nation. The State's unemployment rate has been generally lower than the national rate since the middle of calendar year 1981. However, available data and projections since the 1991 fiscal year show the State unemployment rate to be higher than the national rate of unemployment.

At the beginning of each fiscal year after legislative adoption of the Budget, the State Director of the Budget prepares a State financial plan which sets forth, on a cash basis, the State's projections of receipts and disbursements for that fiscal year (the "State Financial Plan"). Shortly thereafter the State Director of the Budget prepares a GAAP-based Financial Plan (the "GAAP-based Financial Plan") using the assumptions in the State Financial Plan. During the course of each fiscal year, the Governor is required to update periodically and revise the State Financial Plan and the GAAP-based Financial Plan and, in certain instances, to present the revised State Financial Plan to the State Legislature. The State Financial Plan is not the State budget as enacted by the State Legislature, but is the Governor's plan for administering State finances.

Projections and estimates of receipts from taxes have been subject to variance in recent fiscal years. The personal income tax, the sales tax and the corporation franchise tax have been particularly subject to overestimation as a result of several factors, the most recent of which include a significant slowdown in the national and regional economies and uncertainties in taxpayer behavior as a result of actual and proposed changes in federal tax laws. Actual results could differ materially and adversely from the projections below, and those projections could differ materially and adversely from time to time.

## Results of the State's 1992 Fiscal Year

The State Financial Plan for the 1992 fiscal year was initially formulated on June 10, 1991 (the 1992 State Financial Plan"), and included increased taxes and other revenues, deferral of scheduled personal income tax reductions, significant reductions from previously projected levels in aid to localities and State operations and other budgetary actions that were expected to maintain many items of General Fund disbursements at or below the 1991 fiscal year levels. The 1992 State Financial Plan was formulated after disagreement between the Governor and the legislative leaders over spending levels, revenue-raising measures and estimates of the impact of legislative actions, and after the Governor vetoed \$987 million in spending measures which the Legislature added to his proposed Executive Budget without providing the necessary revenues.

In July 1991, the Legislature enacted additional appropriation and revenue measures. The Legislature, after consultation with the Governor, passed appropriation bills adding a net of \$676 million in spending in the State's 1992 fiscal year. The additional spending was expected to be financed through several actions including amendments to the tax law to raise the tax rate on certain regulated businesses (\$200 million) and to increase revenue from the personal income tax for taxpayers with adjusted gross income of \$100,000 or more (\$100 million), offset, in part, by reductions in a portion of the petroleum and energy-based taxes enacted in June 1991 (\$145 million); restoration of additional tax receipts (\$139 million) resulting from added State support for the Department of Taxation and Finance; \$96 million in additional nonrecurring actions including \$57 million in anticipated receipts from the Federal government in settlement of foster care claims and \$41 million in payment restructurings; use of \$80 million in Thruway Authority funds; other miscellaneous actions and further administrative actions to reduce spending.

As a result of the actions taken in July 1991, the 1992 State Financial Plan initially formulated on June 10, 1991 was revised on July 28, 1991 to reflect increased spending, as well as additional revenue-raising measures, which, together with existing revenue measures, were then projected to be sufficient to provide for that increased spending. Because the July 1991 revisions to the 1992 State Financial Plan materially changed the State's initial projections of both receipts and disbursements, there follows a comparison of actual results for the 1992 fiscal year to the State's projections made in both June 1991 and July 1991.

The State's economic forecast, upon which the 1992 State Financial Plan formulated in July 1991 was based, anticipated a modest but continuing recovery in the national economy, consistent with the consensus of forecasters at the time. In this national environment, the State economy was expected to show continued but moderating declines in employment, with losses of 1.9% relative to the prior fiscal year. The national economy, however, was much more sluggish than forecast, and the State economy fared significantly worse as well, with employment declines now estimated at 3.9%. Other economic factors such as wage and non-wage income and consumer spending that are important to financial estimates were overestimated as well.

Personal income tax receipts were projected at \$15.203 billion in June and at \$15.353 billion in July, including the revenues added by the Legislature as described above. Actual receipts in the 1992 fiscal year were \$14.913 billion, a decrease of \$290 million and \$440 million as compared to the June and July projections, respectively. The shortfall in personal income tax receipts was the result of a weaker-than-expected economy. User tax and fee receipts were \$6.353 billion, \$75 million and \$104 million below the June and July projections, respectively. The primary reason for this shortfall was a weaker-than-projected economy and lower spending on consumer durables than projected. Business tax receipts of \$6.072 billion were up \$399 million and \$274 million as compared to the June and July projections, respectively. The reasons for these increases were higher-than-expected payments by banks and general business corporations against their current-year income. Receipts from other taxes were \$1.108 billion, a reduction of \$21 million from the June and July projections. This reduction was attributable to a sharp drop in real estate transactions and values caused by the weak economy, which was only partially offset by higher estate and gift tax revenues. Miscellaneous receipts of \$1.372 billion were down \$221 million and \$298 million from the June and July projections, respectively. The primary

reason for this shortfall was the inability of the State to complete certain planned non-recurring transactions. Transfers to the General Fund from other funds totaled \$1.574 billion, an increase of \$43 million and \$27 million as compared to the June and July projections, respectively.

Disbursements and transfers to other funds totaled \$29.842 billion, an increase of \$448 million from the June projections, resulting from the actions on the budget taken in July as discussed above. Actual disbursements were \$10 million higher than the July projections. Increased disbursements were the result of higher-than-anticipated costs for Medicaid and income maintenance as a result of the economic downturn and significant job losses during 1991, offset by reduced disbursements of \$347 million achieved through administrative actions. These reductions, together with other actions amounting to \$60 million, comprised the Governor's \$407 million 1991 Deficit Reduction Plan.

### **Program for the State's 1993 Fiscal Year**

A national recession commenced in mid-1990. The downturn continued throughout the State's 1991 fiscal year, and was followed by a period of weak economic growth during the 1991 calendar year. For calendar year 1992, the national economy continued to recover, although at a rate below all post-war recoveries. For calendar year 1993, the economy is expected to grow faster than in 1992, but still at a very moderate rate of growth, as compared to other recoveries. The recession has been more severe in the State, owing to a significant retrenchment in the financial services industry, cutbacks in defense spending, and an overbuilt real estate market. The forecast made by the Division of the Budget for the overall rate of growth of the national economy during calendar year 1993 is somewhat lower than the "consensus" of a widely followed survey of forecasters.

The Executive Budget released by the Governor on January 21, 1992 contained projections for the 1993 State fiscal year that began on April 1, 1992. The Governor indicated that, for the 1993 fiscal year, the State faced a \$4.269 billion budget gap as determined by the baseline projection methodology. This methodology reflects estimates of revenue based on the economic outlook and the tax structure under current law, as compared to projected spending based on such factors as existing spending patterns, increased spending due to State and Federal mandates, debt and capital spending commitments and inflationary pressures. When this baseline imbalance was combined with the \$531 million needed in the 1993 fiscal year to repay the \$531 million in tax and revenue anticipation notes issued to finance the 1992 General Fund cash basis operating deficit (the "1992 Deficit Notes"), the total gap in the 1993 fiscal year was projected to be \$4.8 billion. The recommended 1993 Executive Budget reflected efforts to achieve budgetary balance by reducing disbursements by \$3.5 billion and increasing revenues by \$1.3 billion from levels previously anticipated using the baseline projection methodology. Among the major actions proposed were \$1.16 billion in Medicaid and social service program cost reductions or revenues; \$1.0 billion in reduced State agency operations; \$715 million in reduced grants to local governments; and \$352 million in reduced support for capital programs. The major revenue action recommended for the 1993 fiscal year was a freeze on personal income (\$730 million) and corporation (\$270 million) tax reductions that had been scheduled to occur during the 1993 fiscal year. The 1993 State budget, as enacted by the Legislature on April 2, 1992, increased new revenues by an additional \$35 million, increased the Medicaid and social service program cost reductions or revenues by \$38 million, and increased school aid and other education programs by \$218 million, but reduced spending for State operations, fringe benefits and debt service.

On January 19, 1993, the third quarterly revision to the 1993 State Financial Plan was submitted to the Legislature. Such revision projects that the State will complete its 1992-93 fiscal year with a cash-basis General Fund positive margin of \$184 million. This positive margin will be made available for income tax refunds in the 1994 fiscal year.

In 1990, three actions were commenced in Supreme Court, Albany County (*McDermott, et al. v. Regan, et al.*; *Puma, et al. v. Regan, et al.*; and *Guzden, et al. v. Regan, et al.*) challenging the constitutionality of legislation, enacted during the 1990 legislative session, which changed actuarial funding methods for determining State and local contributions to the State employee retirement system, resulting in initial reductions in such contributions. In a decision dated August 10, 1992, the Supreme Court, Albany County, granted summary judgment to plaintiffs in all three actions on the

grounds that the challenged legislation was an unconstitutional attempt to divest public employees of a contract right to an independent trustee, the State Comptroller. The State filed and perfected an appeal, and the appeal is pending in the Appellate Division, Third Department. The Supreme Court decision mentioned that the Comptroller projected that the challenged legislation would result in a reduction of State and local employer contributions of approximately \$800 million for the 1991 fiscal year alone. Although it is not possible to predict the timing of a final decision or the fiscal impact of an adverse decision in this case, an adverse final decision could have a material adverse effect on the financial condition of the State and its local governments, particularly if such a decision is not rendered for several years.

#### **Recommended Program for the State's 1994 Fiscal Year**

The Recommended 1994 State Financial Plan is based on an economic projection that the State will perform more poorly than the nation as a whole. Although real gross domestic product grew modestly during the 1992 calendar year and is expected to show increased growth in calendar year 1993, the Division of the Budget expects that the State's economy, as measured by employment, will continue to decline slightly during the first part of calendar year 1993, before resuming growth later on in the year. Many uncertainties exist in forecasts of both the national and State economies, including slower than projected job growth, a drop in consumer confidence, a weaker than expected global economy and insufficient bank credit, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience worse-than-predicted results in the 1994 fiscal year, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

The Governor released the recommended Executive Budget for the 1994 fiscal year on January 19, 1993. The Recommended 1994 State Financial Plan projects a balanced General Fund. General Fund receipts and transfers from other funds are projected at \$31.563 billion, including \$184 million carried over from the 1993 fiscal year. Disbursements and transfers from other funds are projected at \$31.496 billion, not including a \$67 million repayment to the State's Tax Stabilization Reserve Fund.

To achieve General Fund budgetary balance in the 1994 State fiscal year, the Governor has recommended various actions requiring legislative approval. These include: proposed spending reductions from previously anticipated levels and other actions that would reduce General Fund spending (\$1.6 billion); continuing the freeze on personal income and corporate tax reductions and on hospital assessments (\$1.3 billion); retaining moneys in the General Fund that would otherwise have been deposited in dedicated highway and transportation funds (\$516 million); a 21-cent increase in the cigarette tax (\$180 million); and new revenues from miscellaneous sources (\$91 million).

There can be no assurance that the Legislature will enact the Executive Budget as proposed nor can there be any assurance that the Legislature will enact a budget for the 1994 fiscal year prior to the beginning of the fiscal year. In recent fiscal years, the State has failed to enact a budget prior to the beginning of the State's fiscal year. Because the recommended 1994 Executive Budget contains proposed spending cuts from baseline projections that are greater than in most recent years, delay in enactment of the 1994 fiscal year budget could have greater consequences than similar delays in recent years. Delay in legislative enactment of the 1994 fiscal year budget may reduce the effectiveness of many of the actions proposed to close the potential gap. The 1994 State Financial Plan, when formulated after enactment of the budget, would have to take into account any reduced savings arising from any late budget enactment.

The recommended 1994 Executive Budget would result in sharp reductions in aid to all levels of local government units, from amounts expected. To offset a portion of such reductions, the recommended 1994 Executive Budget contains a package of mandate relief, cost containment and other proposals to reduce the costs of many programs for which local governments provide funding. There can be no assurance, however, that localities that suffer cuts will not be adversely affected, leading to further requests for State financial assistance.

There can be no assurance that the State will not face substantial potential budget gaps in future years resulting from a significant disparity between tax revenues projected from a lower recurring

receipts base and the spending required to maintain State programs at current levels. To address any potential budgetary imbalance, the State may need to take significant actions to align recurring receipts and disbursements in future fiscal years.

In June 1990, legislation was enacted creating the New York Local Government Assistance Corporation ("LGAC"), a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments traditionally funded through the State's annual seasonal borrowing. Over a period of the next several years, the issuance of such long-term obligations, to be amortized over no more than 30 years, is expected to result in the elimination of the need for continuing short-term seasonal borrowing for those purposes because the timing of local assistance payments in future years is expected to correspond more closely with the State's available cash flow. The legislation also imposed a cap on the annual seasonal borrowing of the State at \$4.7 billion, less the net proceeds of bonds issued by LGAC and bonds issued to provide for capitalized interest, except in cases where the Governor and the legislative leaders have certified both the need for additional borrowing and a schedule for reducing the resulting outstanding debt to the cap level. If such a borrowing above the cap is undertaken in any fiscal year, it is required by law to be reduced to the cap by the fourth fiscal year after the limit was first exceeded. To date, LGAC has issued its bonds to provide net proceeds of \$3.02 billion and has legislative authorization to issue bonds producing net proceeds of an additional \$354 million during the remainder of the State's 1993 fiscal year. The Governor has recommended authorizing LGAC to issue its bonds to provide net proceeds of up to \$700 million during the State's 1994 fiscal year. Such authorization is subject to approval by the Legislature before LGAC may issue its bonds in the 1994 fiscal year.

On March 26, 1990, Standard & Poor's Corporation ("S&P") downgraded certain State credit obligations including (1) general obligation bonds, (2) commercial paper and (3) moral obligation, lease purchase, guaranteed and contractual obligation debt. On January 13, 1992, S&P reduced its rating on the credit obligations included in (1) and (3) of the previous sentence and continued its rating outlook assessment on State general obligation debt at negative. S&P, on November 12, 1992, affirmed the State's A- rating and continued its negative outlook. Moody's Investors Service ("Moody's"), on June 6, 1990, lowered the ratings assigned to long-term general obligation indebtedness of and obligations fully guaranteed by the State from A1 to A. On January 6, 1992, Moody's reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations to Baa1. On November 16, 1992, Moody's reconfirmed its A rating on long-term general obligation indebtedness of the State. The State's April 28, 1992 issue of tax and revenue anticipation notes ("TRANS") was rated SP-1 by S&P and M1G 2 by Moody's. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Ratings reflect the views of the respective rating agency and explanations of such ratings may be obtained from each of the individual rating agencies. Any action by a rating agency to lower the credit rating on any outstanding indebtedness of the State may have an adverse impact on the market prices of, or on the market for, the Corporation's bonds.

### **Composition of State Cash Receipts and Disbursements**

Substantially all State non-pension financial operations are accounted for in the State's governmental funds group. Governmental funds include: the General Fund, which receives all income not required by law to be deposited in another fund, which for the State's 1993 fiscal year is projected to comprise 55% of total governmental funds receipts; Special Revenue Funds, which receive the preponderance of moneys received by the State from the federal government and other income the use of which is legally restricted to certain purposes, which are projected to account for 37% of total governmental funds receipts in fiscal 1993; Capital Projects Funds, used to finance the acquisition and construction of major capital facilities by the State and to aid in certain capital projects conducted by local governments or public authorities and Debt Service Funds, which are used for the accumulation of moneys for the payment of principal of and interest on long-term debt and to meet lease-purchase and other contractual-obligation commitments. Receipts in Capital Projects and Debt Service Funds com-



prise an aggregate of approximately 8% of total projected governmental funds receipts in fiscal 1993. The fiscal 1993 percentage breakdown among the governmental funds has changed from historic trends due, in part, to the reclassification of certain sales tax receipts as described in the following paragraph.

Pursuant to the legislation creating LGAC, the State Comptroller is required to credit the equivalent of one percentage point of the four percent sales and use tax collections to the Local Government Assistance Tax Fund (the "LGATF"), a debt service fund, for purposes of securing debt service on LGAC bonds and notes. To the extent that these moneys are not necessary for the payment of debt service, they are to be transferred from the LGATF to the General Fund and are to be reported in the General Fund as a transfer from other funds, rather than as sales tax receipts. During the State's 1991 and 1992 fiscal years, \$996 million and \$1.435 billion, respectively, in sales and use tax receipts were credited to the Tax Fund and \$1.500 billion and \$1.528 billion are estimated and recommended to be credited to the Tax Fund during the State's 1993 and 1994 fiscal year. In the State's 1991 fiscal year, the amount transferred to the General Fund equaled the amount credited to the Tax Fund because no payments were required to be made to LGAC. For the 1992 fiscal year, the amount transferred to the General Fund from the Tax Fund was \$1.315 billion, after providing for the payment of \$120 million to LGAC for the purpose of meeting debt service on its bonds and other cash requirements of LGAC. For the 1993 fiscal year, it is recommended that \$1.277 billion be transferred to the General Fund from the Tax Fund, after providing for payment of \$223 million to LGAC for debt service and other cash requirements, while \$1.261 billion is recommended to be transferred in the 1994 fiscal year, after payment of \$267 million for debt services and other requirements.

The recommended 1994 Executive Budget includes several changes in the manner in which General Fund tax receipts are recorded. Receipts from user taxes and fees are reduced by approximately \$499 million to reflect receipts that are dedicated for (i) highway and bridge capital purposes (\$466 million) and (ii) environmental purposes (\$83 million) which are to be deposited in Capital Projects Funds. Also, business taxes are reduced by \$183 million to reflect tax receipts that are dedicated for transportation purposes and which will be deposited in Special Revenue Funds (\$128 million) and Capital Projects Funds (\$55 million).

Tax receipts generally have accounted for approximately 95% of total receipts in the General Fund. The State's tax structure is comprised of a personal income tax (which is projected to account for approximately 54% of total General Fund tax receipts in fiscal 1993), user taxes and fees, including a general sales and use tax (which are projected to account for approximately 23% of total General Fund tax receipts in fiscal 1993, after reflecting the accounting change discussed in the preceding paragraph), business taxes (which are projected to account for approximately 19% of total General Fund tax receipts in fiscal 1993) and certain other taxes (which are projected to account for approximately 4% of total General Fund tax receipts in fiscal 1993). The State also receives various miscellaneous receipts and federal grants in the General Fund (which are projected to account for approximately 5% of total General Fund receipts in fiscal 1993).

The State classifies total General Fund disbursements into four categories. Grants to local governments (approximately 72% of total General Fund disbursements in fiscal 1993) comprise the largest category of General Fund disbursements. The balance of General Fund disbursements in fiscal 1993 and their share of total General Fund disbursements include State operations (20%), general State charges (7%) and short-term debt service (1%).

Total receipts in the State's governmental funds in the Revised 1993 State Financial Plan are projected to total \$55.383 billion for fiscal 1993, prior to repayment of \$531 million of Deficit Notes, and to be comprised of \$31.296 billion in taxes, \$16.952 billion in federal grants and \$7.135 billion in miscellaneous receipts. The State also anticipates the issuance of \$770 million in general obligation bonds and bond anticipation notes to fund capital projects. Total governmental funds disbursements are projected at \$55.469 billion and consist of \$37.685 billion in grants to local governments, \$13.296 billion in State operations and associated fringe benefits, \$2.592 billion in capital construction and \$1.896 billion in debt service, lease purchase and other similar purposes.

The Governor's 1993-94 Executive Budget contains an update to the 1993 GAAP-based Financial Plan, which is based on the Revised 1993 State Financial Plan, and which was released on January 19,

1993. The update shows an all governmental fund operating surplus of \$1.287 billion. This includes operating surpluses of \$945 million in the General Fund, \$62 million in Capital Projects Funds, and \$295 million in the Debt Service Funds, as offset, in part, by an operating deficit of \$15 million in the Special Revenue Funds.

The proposed 1994 State Financial Plan reflects total governmental funds receipts of \$58.278 billion, before \$184 million from the margin available from 1992-93, to be comprised of \$31.702 billion in taxes, \$18.569 billion in federal grants and \$8.007 billion in miscellaneous receipts. The proposed 1994 State Financial Plan also recommends the sale of \$761 million in general obligation bonds and notes for capital purposes. The proposed 1994 State Financial Plan also recommends total governmental funds disbursements of \$59.142 billion to be comprised of \$39.911 billion of grants to local governments, \$13.806 billion in State operations and associated fringe benefits, \$3.252 billion in capital construction and \$2.173 billion in debt service, lease purchase and similar purposes.

The 1994 Executive Budget includes a projection of the 1994 GAAP-based Financial Plan. For all governmental funds such projection reflects an operating surplus of \$597 million, including operating surpluses of \$448 million in the General Fund, \$196 million in Capital Projects Funds and \$92 million in Debt Service Funds, partially offset by a deficit of \$139 million in Special Revenue Funds.

### **Authorities**

The fiscal stability of the State is related to the fiscal stability of its Authorities, which generally have responsibility for financing, constructing and operating revenue-producing public benefit facilities. Authorities are not subject to the constitutional restrictions on the incurrence of debt which apply to the State itself, and may issue bonds and notes within the limits of, and as otherwise restricted by, their statutory authorization.

State law authorizes financing techniques for Authorities such as: (i) State guarantees of Authority obligations; (ii) lease-purchase and contractual-obligation financing arrangements; and (iii) statutory moral obligation provisions. The State's access to the public credit markets could be impaired if any of its Authorities, particularly those using the financing techniques specified above, were to default on their respective obligations. In addition, certain statutory arrangements provide for State local assistance payments, otherwise payable to localities, to be made to certain Authorities under certain circumstances. The State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to Authorities under these arrangements. However, in the event that such local assistance payments are so diverted, the affected localities could seek additional State funds.

As of December 31, 1992, there was outstanding \$26.4 billion aggregate principal amount of bonds and notes issued by Authorities which were either guaranteed by the State or supported by the State through lease-purchase or contractual-obligation financing arrangements or moral obligation provisions. Debt service on outstanding obligations of an Authority is normally paid out of revenues generated by such Authority's projects or programs, but in recent years, including the 1993 fiscal year, the State has provided special financial assistance, in some cases of a recurring nature, to certain Authorities for operating and other expenses and for debt service pursuant to either its moral obligation indebtedness provisions or otherwise. Additional assistance of this nature is expected to be required in future State fiscal years.

The State's experience has been that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's and Authorities' outstanding bonds and notes may be adversely affected. The Housing Finance Agency and the Urban Development Corporation have in the past required substantial amounts of assistance from the State to meet debt service costs or to pay operating expenses. Further assistance, possibly in increasing amounts, may be required for these, or other, Authorities in the future.

The Metropolitan Transportation Authority ("MTA") oversees the operation of the City's subway and bus lines by the City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, the "Transit Authority" or "TA"). Through MTA's subsidiaries, the Long

Island Rail Road Company, the Metro-North Commuter Railroad Company and the Metropolitan Suburban Bus Authority, the MTA operates certain commuter rail and bus lines in the New York City metropolitan area. In addition, the Staten Island Rapid Transit Operating Authority, an MTA subsidiary, operates a rapid transit line on Staten Island. Through its affiliated agency, the Triborough Bridge and Tunnel Authority (the "TBTA"), the MTA operates certain intrastate toll bridges and tunnels. Because fare revenues are not sufficient to finance the mass transit portion of these operations, the MTA has depended and will continue to depend for operating support upon a system of State, local government and TBTA support, and, to the extent available, federal operating assistance including loans, grants and subsidies.

The TA and the commuter railroads, which are on a calendar fiscal year, ended 1992 with their budgets balanced on a cash basis. The TA had a closing cash balance of approximately \$25 million, and the commuter railroads had a closing cash balance of approximately \$186 million.

Over the past several years the State has enacted several taxes—including a surcharge on the profits of banks, insurance corporations and general business corporations doing business in the 12-county region served by the MTA (the "Metropolitan Transportation Region") and a special one quarter of 1% regional sales and use tax—that have provided additional revenues for mass transit purposes, including assistance to the MTA. The surcharge on profits, which expires in November 1993, yielded approximately \$507 million in calendar year 1992. Of that amount, the MTA was entitled to receive approximately 90%, or approximately \$456 million. These amounts include some receipts resulting from a change in State law that requires taxpayers to make estimated payments on their surcharge liability. In addition, legislation enacted in 1987 creates a further source of recurring revenues for the MTA. This legislation requires that the proceeds of a one-quarter of one percent mortgage recording tax paid on certain mortgages in the Metropolitan Transportation Region, that theretofore had been paid to the State of New York Mortgage Agency, be deposited in a special MTA fund. These tax proceeds may be used by the MTA for either operating or capital (including debt service) expenses. The 1987 legislation also requires the MTA to pay approximately \$25 million annually from its existing recurring mortgage recording tax revenues, of which \$20 million is to be paid to the State for highway purposes in the Metropolitan Transportation Region (other than the City) to the extent revenues are available therefor, and the remaining \$5 million of which is to be paid to certain counties in the Metropolitan Transportation Region.

For 1993, the TA has projected a budget gap of about \$266 million. The TA has under consideration a plan for closing this gap without raising the transit fare that relies significantly on State and City actions that have not been taken and on legislation that has not been enacted. The MTA Board has approved an increase in TBTA tolls which took effect January 31, 1993. Since TBTA operating surpluses help subsidize TA operations, the TBTA toll increase could reduce the TA's budget gap. In addition, the MTA Board has also authorized the initial steps in the process to raise TA fares by 25 cents to take effect no later than April 4, 1993, which, if instituted, could reduce the gap by an additional \$185 million. If any of the assumptions used in making these projections prove incorrect, the TA's gap could grow larger and the MTA would be required to seek additional State assistance, raise fares even higher or take other actions.

Two serious accidents in December 1990 and August 1991, both of which caused fatalities and many injuries, have given rise to substantial claims for damages against both the TA and the City.

In 1981, the State Legislature authorized procedures for the adoption, approval and amendment of a series of five-year plans for a capital program designed to upgrade the performance of the MTA's transportation systems and to supplement, replace and rehabilitate facilities and equipment. The State Legislature also granted certain additional bonding authorization for the capital program. As required by such law, the MTA submitted and has received approval from the MTA Capital Program Review Board (the "CPRB") of a 1987-91 Capital Program. As amended by the CPRB in April 1991, the 1987-91 Capital Program totals \$8.5 billion. The TA portion of the MTA 1987-91 Capital Program totals \$6.5 billion which included as a funding source proceeds from the proposed sale of the New York Coliseum. On May 30, 1992, a 1987-91 Capital Program amendment submitted to the CPRB was

deemed approved which reduced the total program by about \$294 million, which primarily reflects the deferral of the proposed Coliseum sale, and which includes only those projects that were committed or had legal or financial agreements in place by December 31, 1991.

In October 1991, the MTA submitted for CPRB approval a 1992-1996 Capital Program proposal with projected total spending of \$10.0 billion, of which the TA portion was \$7.7 billion. Because of questions about how the funding gaps in the MTA's proposed 1992-96 Capital Program would be closed, the CPRB disapproved the proposal "without prejudice" on December 27, 1991. Pending the approval of a 1992-96 Capital Program, the MTA proceeded with 1992 capital projects for which funding was available under existing authority. On March 8, 1992, the Authority resubmitted revised 1992-96 Capital Program proposals, which identified \$6.7 billion in potential funding, most of which would require action by various levels of government. The resubmission included a funding gap of \$3.3 billion, for which sources had not yet been identified. On April 10, 1992, the CPRB disapproved the resubmission "without prejudice." Subsequently, the MTA submitted to the CPRB a proposed one-year capital program for 1992 consisting of \$1.635 billion of projects for the TA and commuter systems combined. The MTA's submission was consistent with the enacted 1992-93 State Budget. On May 28, 1992 the one-year capital program was deemed approved by the CPRB. As required by the enacted 1992-93 State Budget, the MTA submitted to the CPRB on October 1, 1992 an amendment to such one-year plan to cover projects and related sources of funding for the five-year period commencing January 1, 1992. The amendment provides for a total 1992-96 Capital Program of \$9.578 billion and identified total funding sources of \$5.882 billion. On December 30, 1992, the amendment was disapproved "without prejudice." There can be no assurance that the necessary governmental actions for a 1992-96 Capital Program will be taken, that the additional funding sources will be identified, that sources currently identified will not be decreased or eliminated, or that the Program, or parts thereof, will not be delayed or reduced. If the Program is delayed or reduced, ridership and fare revenues may decline, which could, among other things, impair the MTA's ability to meet its operating expenses without additional State assistance. If the Capital Program is delayed or reduced, ridership and fare revenues may decline, which could, among other things, impair the MTA's ability to meet its operating expenses without additional State assistance.

### **Localities**

Municipalities and school districts have engaged in substantial short-term and long-term borrowings. In 1991, the total indebtedness of all localities in the State was approximately \$31.6 billion, of which \$16.8 billion was debt of the City; a small portion (approximately \$39.0 million) of the \$31.6 billion of indebtedness represents borrowing to finance budgetary deficits and was issued pursuant to enabling State legislation. State law requires the Comptroller to review and make recommendations concerning the budgets of those local government units other than the City authorized by State law to finance deficits. Fifteen localities had outstanding indebtedness for deficit financing at the close of their respective fiscal years ending in 1991. If the State, the City or any of the Authorities were to suffer serious financial difficulties jeopardizing their respective access to the public credit markets, the marketability of notes and bonds issued by localities within the State could be adversely affected. Localities also face anticipated and potential problems resulting from certain pending litigation, judicial decisions and long-range economic trends. The longer-range problems of declining urban population, increasing expenditures and other economic trends could adversely affect localities and require increasing State assistance in the future.

Certain localities in addition to the City could have financial problems leading to requests for additional State assistance during the State's 1994 fiscal year and thereafter.

### **Litigation**

Certain litigation pending against the State or its officers or employees could have a substantial or long-term adverse effect on State finances. Among the more significant of these cases are those that involve: (i) the validity of agreements and treaties by which various Indian tribes transferred title to the State of certain land in Central and Upstate New York; (ii) certain aspects of the State's Medicaid rates and regulations, including reimbursements to providers of mandatory and optional Medicaid

services; (iii) the treatment provided at several State mental hygiene facilities; (iv) contamination in the Love Canal area of Niagara Falls; (v) an action against State and New York City officials alleging that the present level of shelter allowance for public assistance recipients is inadequate under statutory standards to maintain proper housing; (vi) alleged employment discrimination by the State and its agencies; (vii) challenges to the practice of reimbursing certain Office of Mental Health patient care expenses from the client's Social Security benefits; (viii) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; (ix) a challenge to the State's possession of certain funds taken pursuant to the State's Abandoned Property Law; (x) alleged responsibility of State officials to assist in remedying racial segregation in the City of Yonkers; (xi) an action in which the State is a third party defendant for injunctive or other appropriate relief concerning liability for the maintenance of stone groins constructed along certain areas of Long Island's shoreline; (xii) actions challenging the constitutionality of legislation enacted during the 1990 legislative session which changed the actuarial funding methods for determining contributions to State employee retirement systems; (xiii) actions challenging legislation enacted in 1990 which requires the withholding of certain amounts of pay from State employees until their separation from State employment; (xiv) an action challenging legislation enacted in 1990 which had the effect of deferring certain employer contributions to the State Teachers' Retirement System and reducing State aid to school districts by a like amount; (xv) a challenge to the constitutionality of specified financing programs authorized by Chapter 190 of the Laws of 1990 and which seeks the recall and refunding of obligations of certain public authorities issued pursuant to such legislation; (xvi) a challenge to the constitutionality of financing programs of the Thruway Authority authorized by Chapters 166 and 410 of the Laws of 1991; (xvii) challenges to the sufficiency of the fiscal year 1991-92 judiciary budget; (xviii) an action challenging the constitutionality of the New York Local Government Assistance Corporation; (xix) challenges to the delay by the State Department of Social Services in making two one-week Medicaid payments to the service providers; (xx) challenges by commercial insurers, employee welfare benefit plans, and health maintenance organizations to provisions of Section 2807-c of the Public Health Law which impose 13%, 11%, and 9% surcharges on inpatient hospital bills paid by such entities; (xxi) challenges to promulgation of the State's proposed procedure to determine the eligibility for and nature of home care services for Medicaid recipients; and (xxii) a challenge to State implementation of a program which reduced Medicaid benefits to certain home-relief recipients.

Adverse developments in those proceedings or the initiation of new proceedings could affect the ability of the State to maintain a balanced 1992-93 and 1993-94 State Financial Plans. An adverse decision in any of the above cited proceedings could exceed the amount of the Revised 1992-93 and the Recommended 1993-94 State Financial Plans reserves for the payment of judgments and, therefore, could affect the ability of the State to maintain balanced 1992-93 and 1993-94 State Financial Plans.

## **PART 8 – CERTAIN DEVELOPMENTS AFFECTING THE CITY**

Although bonds of the Corporation are not obligations of the City, financial developments with respect to the City may affect the market for, or market prices of, the Corporation's securities. The Corporation believes that its ability to repay the 1991 Resolution Bonds is not dependent upon the financial condition of the City. However, economic and demographic conditions in the City may affect the levels of Sales Tax receipts and Per Capita Aid. During the time the Series C Bonds are outstanding, financial developments and other matters concerning the City will be the subject of reviews and reports by, among others, the Corporation, the City Comptroller, Office of the State Deputy Comptroller for The City of New York ("OSDC") and the staff of the Control Board. See "PART 9 – VARIOUS CONTROL PROGRAMS".

This section discusses the City's recent financial operations, results for the 1992 fiscal year, the budget for the City's 1993 fiscal year, the four-year financial plan for the City and some of the financial difficulties the City faces. It provides only a brief summary of the complex factors affecting the City's financial condition. This section is based in substantial part on information reported to the Corporation by the City, the staff of the Control Board and OSDC, or as presented in the City's four-year financial plans or the official statements prepared by the City in connection with the issuance of its securities, or contained in other reports and statements referred to herein.

### **Fiscal Years 1975-1992**

During 1975 the City became unable to market its securities and entered a period of extraordinary financial difficulties. In response to this crisis, the State created the Corporation and enacted the Emergency Act, which created the Control Board for the purposes of overseeing the City's fiscal affairs and facilitating its return to the public credit markets. See "PART 9 – VARIOUS CONTROL PROGRAMS".

In the first years of the fiscal crisis, the City took a number of steps which were intended to enable it to balance its budget, to reform its accounting procedures, and to regain access to the public credit markets. Subject to the oversight powers of the Control Board, the Corporation and OSDC, the City, among other things, reduced the size of its workforce, began charging tuition at the City University of New York and reached labor settlements consistent with newly-established guidelines. The City also received federal and State aid over and above previously existing levels. Because it became apparent in 1978 that the City's fiscal difficulties would continue, additional measures were taken at such time, including an extension of the powers of the Control Board, an increase in the debt issuance authorization of the Corporation and the procurement of federal guarantees for \$1.65 billion of City bonds. As a result of these efforts, as well as a strengthened local economy and the positive effects of inflation on economically sensitive taxes, the City was able to gradually eliminate annual operating deficits as calculated in accordance with GAAP, estimated to be approximately \$1.87 billion for fiscal 1976, by the 1981 fiscal year, one year earlier than required by federal and State law.

Since fiscal 1978, as required by the Emergency Act, the City's annual financial statements have been audited by independent certified public accountants. The City has reported balanced operating results calculated in accordance with GAAP for each of its 1981 through 1992 fiscal years. Since the middle of fiscal 1990, the City has from time to time determined it necessary to reduce substantially its revenue expectations and increase expenditures and compensate for such decreased collections and increased expenditures through service reductions, increased tax rates or new taxes or other actions designed to bring expenditures in line with revenues.

For the fiscal year ending June 30, 1992, the City reported audited operating revenues of \$29.022 billion and expenditures of \$29.018 billion, on a GAAP basis.

### **Fiscal Years 1993 and 1993-1996 Financial Plan**

Over the past three years, the rate of economic growth in the City has slowed substantially, and the City's economy is currently in recession. The City projects, and its current four-year financial plan assumes, a recovery by the end of the 1993 calendar year.

On July 11, 1992, the City submitted to the Control Board a financial plan for the 1993 through 1996 fiscal years (the "July Plan") which projected a GAAP balanced budget for the 1993 fiscal year with \$29.508 billion of revenues and expenses and projected budget gaps of \$1.597 billion, \$1.697 billion and \$2.246 billion for the 1994 through 1996 fiscal years, respectively.

The City presented its first quarter modification to the July Plan on November 19, 1992 (the "November Plan"), which reflected decreases in revenues and increases in expenditures for the 1994, 1995 and 1996 fiscal years aggregating \$58 million, \$287 million and \$345 million, respectively in additional budget gap projections, which projected budget gaps of \$1.655 billion for fiscal 1994, \$1.984 billion for fiscal 1995, and \$2.591 billion for fiscal 1996.

On January 29, 1993, the City released a modification to the July Plan (the "Financial Plan"). The Financial Plan projects revenues and expenditures for the 1993 fiscal year balanced in accordance with GAAP and reflects changes in actual receipts and in forecasted revenues and expenditures as a result of changes in circumstances since November 1992. For the 1993 fiscal year, the Financial Plan includes additional gap-closing actions to offset a potential \$91 million budget gap, resulting principally from \$321 million in additional labor costs and other new and mandated expenditures reflecting the impact of the recently negotiated tentative collective bargaining agreements, which were partially offset by \$319 million in additional non-property tax revenues. The additional gap-closing measures include delays in hiring and other savings by City agencies.

The Financial Plan also sets forth projections and outlines a proposed gap-closing program for the 1994 through 1996 fiscal years to close projected budget gaps of \$2.1 billion, \$3.1 billion and \$3.8 billion, respectively. These actions include increased revenues and reduced expenditures from agency actions aggregating \$623 million, \$709 million and \$1.0 billion in the 1994 through 1996 fiscal years, respectively, including productivity savings and savings from restructuring the delivery of City services and service reductions; other City actions in the 1994 fiscal year totaling \$415 million, including \$215 million resulting from the sale of delinquent real property taxes and \$110 million of discretionary transfers from the 1993 fiscal year; \$187 million of reduced debt service costs in the 1994 fiscal year resulting from refinancings and other actions; \$250 million, \$375 million and \$450 million in increased Federal assistance in the 1994, 1995 and 1996 fiscal years, respectively; a continuation of the personal income tax surcharge, resulting in revenues of \$137 million, \$404 million, and \$427 million in the 1994 through 1996 fiscal years respectively; a proposed increase in the non-resident earnings tax and certain excise taxes, the imposition of new City taxes on wine and tobacco products (other than cigarettes) and on certain carbon fuels and the recapture of unredeemed bottle deposits, totaling \$159 million, \$225 million and \$225 million in the 1994 through 1996 fiscal years, respectively; savings from the Governor's proposed State cost containment and assumption of Medicaid costs program, the proposed "New York, New York" program involving various mandate relief measures and the reallocations of State education aid among various localities, aggregating \$364 million, \$508 million and \$571 million in the 1994 through 1996 fiscal years, respectively; other City actions, including increased user fees, of \$648 million and \$850 million in the 1995 and 1996 fiscal years, respectively, and savings from additional State actions aggregating \$250 million in each of the 1995 and 1996 fiscal years.

Various actions proposed in the Financial Plan, including the proposed continuation of the personal income tax surcharge, the proposed City tax program, the Medicaid and "New York, New York" programs and the proposed reallocation of State education aid, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. The State Legislature failed to approve the proposed Medicaid and certain "New York, New York" programs and the proposed reallocation of State education aid in the last session and has in the past failed to approve tax proposals similar to the proposed City tax program. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1993 fiscal year. If these actions cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan.

In addition to the gap-closing actions described above, the City has identified a contingency program for the 1994 fiscal year which could be implemented in the event that certain of the actions contained in the Financial Plan are not fully achieved. This proposed program includes \$168 million in

additional service reductions and an additional \$300 million resulting from the transfer to a proposed parking authority of the City's parking meter and garage operations, which will be offset in subsequent years by the loss of revenues attributable to the operations transferred to the parking authority. The creation of the parking authority requires the enactment of legislation by the State.

The City Comptroller issued a report on December 15, 1992 on the November Plan that projected potential budget gaps in fiscal years 1994 through 1996 of approximately \$1.1 billion, \$1.3 billion and \$1.3 billion, respectively, after taking into account the City's gap-closing program set forth in the November Plan.

Nearly all of the City's collective bargaining agreements with the large municipal unions representing civilian and uniformed employees expired during the 1992 fiscal year. On January 11, 1993, the City announced a tentative settlement with a coalition of municipal unions, including Local 237 of the International Brotherhood of Teamsters ("Local 237"), District Council 37 of the American Federation of State, County and Municipal Employees ("District Council 37") and other unions covering approximately 44% of the City's workforce. The tentative settlement includes a total net increase of 8.25% over a 39-month period ending March 31, 1995 for most such employees, and is subject to ratification by the members of the unions.

The Financial Plan reflects the costs associated with the tentative settlement and provides for similar increases for all other City-funded employees. The Financial Plan also provides for the cost of wage increases for those uniformed employees who have not reached agreement with the City for the 1992 fiscal year, based on prior police officers arbitration. The Financial Plan provides no additional wage increases for City employees after the 1995 fiscal year. Each 1% wage increase for all employees commencing in the 1995 fiscal year would cost the City an additional \$56 million for the 1995 fiscal year and \$152 million for the 1996 fiscal year above the amounts provided for in the Financial Plan. The terms of eventual wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement.

As a result of the national and regional economic recession, the State's tax receipts for its 1991 and 1992 fiscal years were substantially lower than projected. In addition, the Governor's Executive Budget for the State's 1993 fiscal year (commencing April 1, 1992) identified a potential budgetary imbalance for the State's 1993 fiscal year of \$4.8 billion (after providing for repayment of \$531 million of short-term deficit notes). To correct such potential imbalances, the State took various actions for its 1992 and 1993 fiscal years, which included reductions in State aid to localities from amounts previously projected. On January 19, 1993, the third quarterly update for the 1993 State Financial Plan was submitted to the Legislature. Such revision projects that the State will complete the State's 1993 fiscal year with a cash-basis positive balance of \$184 million in the State's General Fund (the major operating fund of the State).

The Governor released the recommended Executive Budget for the State's 1994 fiscal year on January 19, 1993. The recommended 1994 State Financial Plan projects a balanced General Fund. The recommended 1994 Executive Budget for the State would result in sharp reductions in aid to local governments, including the City, from amounts expected. The Mayor's Executive Budget for the City's 1994 fiscal year, to be submitted after the scheduled adoption of the State's budget for the State's 1994 fiscal year, will address the impact on the City's 1994 fiscal year of whatever local aid reductions may ultimately be adopted by the State. In the event of any further significant reduction in projected State revenues from the amounts projected in the State's Executive Budget, there could be an adverse impact on the timing and amounts of State aid payments to the City in the future.

There can be no assurance that the Legislature will enact the State's Executive Budget as proposed, nor can there be any assurance that the Legislature will enact a budget for the State's 1994 fiscal year prior to the beginning of the State's fiscal year. In recent fiscal years, the State has failed to enact a budget prior to the beginning of the State's fiscal year. In addition, should State revenues fall below, or spending increase above, projected levels for the State's 1994 fiscal year, the State could further reduce aid to localities from amounts previously projected.



If the City incurs an operating budget deficit in excess of \$100 million in any fiscal year or if the State and City Comptrollers cannot, on the basis of facts existing at the time such a certificate is due, jointly certify that the City is able to meet its financing requirements in the public credit markets, or if certain other conditions exist, a "Control Period" under the Emergency Act is required to be reimposed. During a Control Period, the Control Board must, among other things, review and approve the City's four-year financial plans and each modification thereof. A Control Period was in effect from fiscal 1976 through fiscal 1986. See "PART 9 - VARIOUS CONTROL PROGRAMS - Control Board".

The City Comptroller issued a report on the state of the City's economy on December 15, 1992. The report projected that the City's economy would slowly follow the national economy out of recession. The report noted that, from the peak employment level in April 1989 through September 1992, the City lost 386,000 jobs. The report stated that job loss, while continuing, had decelerated and that the productivity of persons employed in the City had risen rapidly in 1992. The report also noted that Gross City Product has stopped declining in 1992. The report projected that job losses would continue to occur in the City in 1993, but that Gross City Product would rise. The report noted that increased productivity and Gross City Product had led to raises for those persons with jobs, but that new jobs were not being created for the unemployed. The City Comptroller warned that this phenomenon was increasing the disparity between the employed and the unemployed and that the City needed to stimulate job growth to allow the unemployed to become productive members of the economy.

On December 22, 1992, the staff of the Control Board issued a report on the financial plan published on November 19, 1992 (the "November Financial Plan"). The staff concluded that, while the City was likely to balance its budget for the 1993 fiscal year, the actions outlined in the November Financial Plan will not achieve structural balance. The staff identified potential gaps of approximately \$900 million in each of the 1994 through 1996 fiscal years, after taking into account what the staff considered to be achievable elements of the City's gap-closing program. Identified in the report as the sources of these major risks are actions that require State and/or Federal approval, unspecified City gap-closing actions, estimates that could result in lower than planned revenues from property taxes and the City lottery and higher than planned overtime costs. The report also noted additional risks, including the potential for additional transit funding, capital maintenance needs and uncertainties relating to labor costs that could increase the magnitude of the projected gaps. The staff stated that the greater threat to structural balance is the cost of debt service.

On December 17, 1992, OSDC issued a report on the November Financial Plan. The report found that the City should achieve a balanced budget in the 1993 fiscal year, but projected remaining budget gaps of \$694 million, \$646 million and \$519 million in fiscal year 1994, 1995 and 1996, respectively, after taking into account the City's planned gap-closing actions. These remaining gaps result from a number of factors, including lower revenues from property taxes and the City lottery than assumed in the November Financial Plan, higher expenditures for certain social services and overtime costs than assumed in the November Financial Plan, and uncertainties relating to State and Federal aid and to State Legislative approval of proposed tax increases. The report also noted additional risks including a number of other gap-closing initiative, valued at \$400 million in fiscal year 1994 and at substantially larger amounts in subsequent years, that were largely unspecified and therefore uncertain of attainment, the potential for revenues from property taxes to be even lower than assumed in OSDC estimates, and the possibility that wage increases will not be offset by productivity increases.

The OSDC report noted that the City's economy was finally showing signs of recovery, but that a rapid and sustained increase in tax revenues, as occurred when the City emerged from its last recession in the early 1980s, was unlikely to be repeated. The report concluded that there will be ever increasing pressures to control spending growth to help balance future budgets, but that such efforts will be extremely difficult without a more aggressive approach to improving the productivity of the City's workforce.

The City Comptroller, OSDC and the Control Board are expected to issue reports commenting on the Financial Plan.

## Capital Program

On January 6, 1993 the City announced a Ten-Year Capital Strategy for fiscal years 1994-2003 (the "1993 Capital Strategy") totaling \$51.3 billion, of which all but \$6.6 billion will be financed by City funds. The City-funded portion of the 1993 Capital Strategy is projected to be financed by \$31.1 billion of the City's general obligation bonds; by \$9.9 billion of water and sewer revenue bonds issued by the New York City Municipal Water Finance Authority (the "Sewer and Water Authority"); by \$2.3 billion of bonds issued by the Dormitory Authority of the State of New York (the "Dormitory Authority") to finance courts facilities; and by \$1.3 billion of bonds issued by the Health and Hospitals Corporation to finance its facilities.

The City's capital plan and financing program for fiscal years 1993-1997, reflected in the City's Financial Plan Modification released January 29, 1993, projects the issuance of bonds totaling \$22.764 billion during the period, including \$16.675 billion of general obligation bonds, \$5.510 billion of water and sewer revenue bonds and \$579 million in bonds of the Health and Hospitals Corporation. To date in fiscal year 1993 the City has issued \$2.791 billion in general obligation bonds of \$4.832 billion projected to be issued in fiscal year 1993; and the New York City Municipal Water Finance Authority (the "Water and Sewer Authority") has issued \$1.266 billion of \$1.532 billion of its bonds projected for the fiscal year.

## Litigation

The notes to the City's audited financial statements for the 1992 fiscal year report that the City is a defendant in a significant number of lawsuits pertaining to material matters including those claims asserted which are incidental to performing routine governmental and other functions. As of June 30, 1992, claims in excess of \$341 billion were outstanding against the City for which the City estimated its potential future liability to be \$2.3 billion. The 1993-1996 Financial Plan includes a provision for judgments and claims, other than the real estate tax certiorari proceedings described below, in the amounts of \$219 million, \$222 million, \$228 million, and \$238 million for the 1993 through 1996 fiscal years, respectively.

Numerous real estate tax certiorari proceedings alleging overvaluation, inequality and illegality are presently pending against the City. In response to these actions, State legislation was enacted in December 1981 which, among other things, authorizes the City to assess real property according to four classes and makes certain evidentiary changes in real estate tax certiorari proceedings. Based on historical settlement activity, the City estimates its potential future liability for outstanding certiorari proceedings to be \$242 million at June 30, 1992. Provision has been made in the 1993-1996 Financial Plan for estimated refunds for overpayments of real estate taxes in the amount of an average of \$123.75 million in each of the 1993 through 1996 fiscal years.

Certain litigation concerning the City or its officers or employees could have a substantial or long-term adverse effect on City finances. Among the more significant of these proceedings are those that involve: (i) the certification by the State Board of Equalization and Assessment of certain property class ratios; (ii) the assessment ratio imposed by the City on locally assessed class three utility property; (iii) a challenge to the City's denial of an application for a special permit to transfer development rights associated with Grand Central Terminal; (iv) claims against the City for damages arising out of an explosion of a Con Edison steam pipe which occurred in Gramercy Park on August 10, 1989; (v) claims against the City for damages arising out of a water main break and electrical blackout that occurred on August 10, 1983; (vi) claims that shelter allowances provided to those who receive welfare benefits through the AFDC program and the Home Relief program are inadequate; (vii) a claim by numerous sleep-in home attendants that they were improperly underpaid; (viii) claims by various homeless groups and individuals that the City fails to provide them with proper housing and services; (ix) allegations that the City has failed to abate lead paint conditions in residential buildings; (x) allegations that the City's real estate tax levy for fiscal year 1992 is excessive; (xi) allegations that the City improperly fails to provide health benefits to the unmarried, domestic partners of Board of Education employees; (xii) regulatory requirements relating to the filtration of the City's upstate water supply system; (xiii) claims by tenants challenging the City's right to vacate unsafe in rem properties and

asserting that the City must maintain such properties in accordance with building codes; and (xiv) a challenge to certain surcharges used to fund State bad debt and charity care pools which reimburse the City for a portion of the cost of uncompensated health care.

#### **Federal Bankruptcy Law**

If the City's cash resources are insufficient to meet its obligations, federal and State statutes provide for certain remedies under Chapter 9 of the Federal Bankruptcy Code. Chapter 9 permits any State political subdivision or agency to file a petition for relief under its provisions if the subdivision or agency is authorized to do so by State law. Both the City and the Control Board (on behalf of the City) are so authorized, and either could file such a petition if the City were (i) insolvent or unable to meet its obligations as they mature; (ii) desirous of effecting a plan to adjust its debts; and (iii) able to meet the other prerequisites for filing a Chapter 9 petition with respect to negotiations between the City and its creditors and other matters. Any plan to adjust the City's debts would become effective only upon court approval, after the requisite approval by creditors of the City has been obtained.

Although the filing of such petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a material adverse effect on the Corporation's ability to repay its obligations including the Series C Bonds. The filing of such a petition, as with other financial developments with respect to the City, might affect the market for and market prices of the Corporation's securities.

## PART 9 – VARIOUS CONTROL PROGRAMS

This Part describes the powers of the Corporation to aid the City, the requirements imposed upon the City by the Act and the Emergency Act and the powers of the Corporation and the Control Board to review and take actions with respect to the City's compliance with such requirements.

### The Corporation

The Act authorizes the Corporation to purchase obligations of the City to finance portions of the City's capital program. At the time the Corporation pays the City for City obligations, the City is required to agree to observe and perform a number of statutory conditions which the Corporation may modify from time to time, but may not waive. The Act provides that the statutory conditions, as modified by the Corporation and agreed to by the City, shall cease to apply when all bonds and notes of the Corporation have been repaid or such payment is provided for as specified in the Act.

The statutory conditions are designed to: (i) reform and unify the City's system of accounting; (ii) provide independent review of the City's expenditures; and (iii) establish limits and controls over the City's debt-incurring power. To date, the City has complied with these conditions, which may be briefly summarized as follows:

(a) The City has adopted as its method of accounting the accounting principles permitted by State law. The City's audited financial statements provided to the Corporation for the City's 1978 through 1991 fiscal years were prepared, and those to be prepared for each subsequent fiscal year are to be prepared, in accordance with GAAP, with the adjustments necessary to show results in accordance with the accounting principles permitted by State law, for fiscal years through 1981.

(b) The Act requires the City to comply with provisions of the Emergency Act relating to balanced budgets, provisions for debt service and other financial requirements. The City is required to submit its proposed operating budgets (and any subsequent increases in expenditures therein) and operations reports for each fiscal year and each quarter to the Corporation for review to determine whether the City is adhering to an operating budget in which revenues equal or exceed expenditures under the accounting principles permitted by State law.

(c) The Act sets forth limitations for the issuance by the City of its short-term notes. The Corporation is required to enforce these limitations by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates these limitations and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations. The Corporation believes that these limitations will not prevent the City from issuing any short-term obligations to meet its seasonal financing needs.

If the Board of Directors of the Corporation determines, after review of the City's books and records and consultation with the Mayor, that the City's operating budget will not be balanced in accordance with State law, or that any of the conditions summarized above have not been fulfilled or should be modified, the Corporation must notify the Governor, the Legislature, the Mayor and certain other State and City officials and must disclose such determinations to the public.

### Control Board

The Control Board, created pursuant to the Emergency Act in 1975, is composed of the Governor and the Comptroller of the State, the Mayor and the Comptroller of the City and three appointees of the Governor. The three appointees to the Control Board are Heather L. Ruth, Robert R. Kiley and Stanley S. Shuman. Allen J. Proctor is the Executive Director of the Control Board. OSDC assists the Control Board and the Corporation in carrying out their functions. Cornelius F. Healy, Deputy Comptroller for Municipal Affairs, is also acting as State Deputy Comptroller for New York City.

Certain powers of the Control Board are exercisable only during a Control Period, as defined in the Emergency Act. On June 30, 1986, the Control Period terminated upon the happening of certain specified events set forth in the Emergency Act. Those events were: (i) the termination of all federal guarantees of City bonds; (ii) the determination by the Control Board that the City had adopted and

adhered to an operating budget balanced in accordance with GAAP for each of the three immediately preceding fiscal years; and (iii) the joint certification by the State and City Comptrollers that substantially all of the City's financing requirements had been, and for the next fiscal year were likely to be, met in the public credit markets.

During a Control Period, the four-year financial plans for the City and the Covered Organizations (as defined in the Emergency Act), including modifications thereof, are subject to review and approval by the Control Board. In addition, during a Control Period, the Control Board's responsibilities also include the review and approval of proposed contracts and certain obligations of the City and the Covered Organizations and, in coordination with the Corporation, the approval of long-term and short-term borrowings by the City and any Covered Organization.

Even though the Control Period has terminated, until the statutory expiration of the Emergency Act no later than July 1, 2008, the City is required to develop a four-year financial plan each year and to modify the plan as changing circumstances require. During this period, the powers of the Control Board include the power: (i) to review, but not to approve or disapprove, the City's four-year financial plan and the modifications thereof; (ii) to review the quarterly reports from the City Comptroller setting forth the debt service requirements on all bonds and notes of the City and the Covered Organizations for the following quarter; and (iii) to review, but not to approve or disapprove, certain contracts and obligations of the City and the Covered Organizations in order to determine whether they comply with the requirements of the City's financial plan. In addition, the Control Board maintains its authority to review the operations of the City and the Covered Organizations, audit their compliance with the financial plan and obtain information regarding their financial condition and needs. On June 27, 1986, a Memorandum of Understanding was entered into under which the City agreed to submit to the Control Board for review contracts of the City and the Covered Organizations, the City's four-year financial plans and modifications thereof, and such other information as may be necessary or desirable to enable the Control Board to fulfill its obligations subsequent to the termination of a Control Period.

A Control Period must be reimposed by the Control Board at such times and for such durations as are made necessary by the actual (or substantially likely and imminent) occurrence of any of the following events: (i) the failure of the City to pay principal or interest on any of its notes or bonds when due and payable; (ii) the incurrence by the City of an operating budget deficit in excess of \$100 million; (iii) the issuance by the City of notes in violation of the limitations on short-term borrowings set forth in the Emergency Act; (iv) the violation by the City of any provision of the Emergency Act that substantially impairs the ability of the City to pay principal or interest on bonds or notes when due and payable or to adopt or adhere to a balanced budget; or (v) the issuance by the State and City Comptrollers of a joint certificate to the effect that they could not, on the basis of facts existing at the time of such certification, make the joint certification concerning the City's ability to meet its financing requirements in the public markets required to terminate a Control Period.

When no Control Period is in effect, the Control Board is required to consider at least annually whether, in its judgment, any of the specified events has occurred. On August 1, 1991, the Control Board determined that none of the specified events had occurred during the 1991 fiscal year. No Control Period may extend beyond the earlier of July 1, 2008 or the date on which no notes or bonds containing the 1978 State Covenant remain outstanding.

## PART 10 – AGREEMENT OF THE STATE OF NEW YORK

In the legislation which established the Corporation in 1975, the State pledged to and agreed with the owners of the Corporation's bonds that the State will not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made with owners of any such bonds, or in any way impair the rights and remedies of such owners, until any such bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such owners, are fully met and discharged. The Corporation has included such pledge in the 1991 General Bond Resolution, as well as in the First and Second General Bond Resolutions.

In addition, pursuant to legislation enacted in 1978, the City is authorized and the Corporation is required to include the 1978 State Covenant in any agreement with owners or guarantors of their notes or bonds. By the terms of the 1978 State Covenant, the State agrees not to take any action that will (a) substantially impair the authority of the Control Board during a Control Period to approve, disapprove or modify any financial plan or modification, to approve or disapprove certain contracts of the City or Covered Organizations, to approve or disapprove proposed borrowings of the City or Covered Organizations, and to establish procedures for deposits to and disbursements from the board fund of the Control Board; (b) substantially impair the authority of the Control Board to review financial plans and modifications, contracts and proposed borrowings of the City or Covered Organizations; (c) substantially impair the independent maintenance of a separate fund for the payment of debt service on bonds and notes of the City; (d) alter the Control Board so that a majority of the voting members are not elected State officials or appointees of the Governor; (e) terminate the existence of the Control Board before the earlier of July 1, 2008 or the date when all notes or bonds containing the 1978 State Covenant are no longer outstanding and there is no longer effective or outstanding any federal guarantee; (f) substantially modify the requirement that the City's financial statements be independently audited; or (g) alter the definition of Control Period or substantially alter the authority of the Control Board to reimpose or terminate a Control Period. The Emergency Act provides that the pledge and agreement of the State shall cease to be effective when notes and bonds subject to the pledge and agreement are no longer outstanding or when sufficient moneys have been set aside for their payment.

In the opinion of Bond Counsel, while the matter is not free from doubt, the 1978 State Covenant is enforceable, provided a court would hold that the pledge is an "important security provision" of the bonds, "subject at all times to the proper exercise of the State's reserved police power." The enforceability of the 1978 State Covenant is subject to various factual requirements and legal uncertainties and there can be no assurance that any purchaser seeking to enforce the 1978 State Covenant will be able to meet such factual requirements or that such legal uncertainties will be resolved in favor of such enforcement.

**PART 11 – MANAGEMENT**

Under the Act, the Corporation is administered by a Board of Directors (the “Board”), consisting of nine directors. All of the directors are appointed by the Governor with the advice and consent of the State Senate; four of the directors are appointed upon written recommendation of the Mayor. The Act also provides for the appointment of representatives to the Board (the “Representatives”) by certain State or City officials. 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 State Comptroller or his representative is entitled to attend and participate in the meetings of the Board but is not entitled to vote.

The Act provides that no director and no Representative may be an officer or employee of the federal government or of the State or of any political subdivision thereof.

The present members of the Board and the Representatives of the Corporation, and the expiration dates of their respective terms of office are as follows:

<u>Directors</u>	<u>Expiration of Term</u>
Felix G. Rohatyn, <i>Chairman</i> (1) .....	December 31, 1987
Kenneth J. Bialkin(1)(2) .....	December 31, 1990
George M. Brooker(1)(2) .....	December 31, 1989
John P. Campbell .....	December 31, 1993
Gedale B. Horowitz(1)(2) .....	December 31, 1991
Eugene J. Keilin(1) .....	December 31, 1990
Dick Netzer(1) .....	December 31, 1991
Andrew P. Steffan(1)(2)(3) .....	December 31, 1984
Robert C. Weaver(1) .....	December 31, 1988
 <u>Representatives(4)</u>	
Jerome Belson .....	Appointed by the Vice-Chairman of the City Council
Joel B. Mounty .....	Appointed by the Minority Leader of the State Assembly
Carl H. Pforzheimer III .....	Designated representative of the State Comptroller
Jerome Reiss .....	Appointed by the Speaker of the State Assembly
Robert W. Seavey .....	Appointed by the Minority Leader of the State Senate

- (1) Continuing to serve until reappointed or until successor appointed and qualified.
- (2) Appointed upon the written recommendation of the Mayor.
- (3) Smith Barney, Harris Upham & Co. Incorporated, with which Mr. Steffan is affiliated as described in his biography, may act as underwriters in connection with the sale of the Series C Bonds.
- (4) Each Representative serves at the pleasure of the appointing official or body, is eligible for reappointment and holds office until his successor has been appointed. The position of the Representative appointed by the President Pro-Tem of the State Senate is currently vacant.

**FELIX G. ROHATYN, *Chairman*.** Mr. Rohatyn is a General Partner of Lazard Freres & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Pfizer Inc., Pechiney, Howmet Inc. and Carnegie Hall. Mr. Rohatyn is a resident of New York City.

**KENNETH J. BIALKIN.** Mr. Bialkin is a member of the law firm of Skadden, Arps, Slate, Meagher & Flom, New York, New York, and from 1967 to 1987 was an Adjunct Professor of Law at New York University School of Law. He is a past Chairman of the Section of Corporation, Banking and Business Law of the American Bar Association, and is a former Chairman of the Committee on Federal Regulation of Securities of that Section. He is a past President of the New York County Lawyers' Association and a former Chairman of the Committee on Securities and Exchanges of that Association. He is President of the Jewish Community Relations Council of New York. He is a director of Oshap Technologies Ltd. and Primerica Corporation. Mr. Bialkin is a resident of New York City.

**GEORGE M. BROOKER.** Mr. Brooker is a principal stockholder and President of Webb & Brooker, Inc., a real estate management and brokerage firm. He is past President of the New York Chapter of the Institute of Real Estate Management. He is a governor of the Real Estate Board of New York and

the Realty Advisory Board of New York. He is a trustee of the Educational Broadcasting Corp. (WNET/Channel 13). He is a director of the National Center Housing Management of Washington, D.C. and director of the Realty Foundation of New York. Mr. Brooker is a resident of New Rochelle, New York.

JOHN P. CAMPBELL. Mr. Campbell is a member of the law firm of Curtis, Mallet-Prevost, Colt & Mosle, New York, New York. He is a director of White Securities Corporation, Clinton Holdings, Inc. and A.C. Israel Enterprises, Inc. Mr. Campbell is a resident of Cold Spring Harbor, New York.

GEDALE B. HOROWITZ. Mr. Horowitz is Senior Executive Director of Salomon Brothers Inc and Executive Vice President and a director of Salomon Inc. He is Chairman of the New York Local Government Assistance Corporation and past Chairman of the Securities Industry Association and the Public Securities Association. He previously served as Chairman of the Municipal Securities Rulemaking Board and the Municipal Bond Club of New York. He is Treasurer of the Board of Trustees of Barnard College, Trustee of Long Island Jewish-Hillside Medical Center, Trustee of New York Downtown Hospital and a member of Columbia University Advisory Committee on Athletics. Mr. Horowitz is a resident of Great Neck, New York.

EUGENE J. KEILIN. Mr. Keilin, Chairman of the Corporation's Finance Committee, is a General Partner of Keilin and Bloom, investment bankers. Previously, he was a General Partner of Lazard Freres & Co., and was Executive Director of the Corporation from October 1976 to January 1979. From 1973 to 1975, he served as General Counsel of the City's Office of Management and Budget and, 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. He is a Trustee of the Citizens Budget Commission and a member of the New York State Industrial Cooperation Council. Mr. Keilin is a resident of New York City.

DICK NETZER. Dr. Netzer, Chairman of the Corporation's City Budget Committee, is Senior Fellow at New York University's Urban Research Center; he was Director of the Center from 1981 to 1986 and was Dean of the University's Graduate School of Public Administration from 1969 through 1982. He is a former member of the Municipal Securities Rulemaking Board. 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. He is a member of numerous editorial and research advisory boards. Dr. Netzer is a resident of New York City.

ANDREW P. STEFFAN. Mr. Steffan, Chairman of the Corporation's Audit Committee, is a Managing Director of Smith Barney, Harris Upham & Co. Incorporated. From 1972 until 1976, he was on the staff of the Securities and Exchange Commission and became the Commission's first Director of Economic and Policy Research. Mr. Steffan is a resident of New York City.

ROBERT C. WEAVER. Dr. Weaver, Chairman of the Corporation's Administration Committee, was Distinguished Professor of Urban Affairs at Hunter College from 1971 to 1978. He is now Distinguished Professor Emeritus. 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 former member of the Board of Trustees of the Metropolitan Life Insurance Co. and the Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver is a resident of New York City.

JEROME BELSON, *Representative*. Mr. Belson is Chairman Emeritus of the Board of Waterhouse Securities, Inc. He is President of Associated Builders and Owners of Greater New York, Inc. He serves as a Trustee of St. John's University. He is Vice President of United Cerebral Palsy of New York City, Inc. He is a Director of AMREP Corporation. Mr. Belson is a resident of New York City.

JOEL B. MOUNTY, *Representative*. Mr. Mounty is President of Mountco Construction and Development Corp., a full service company which is actively engaged in the development, construction and management of residential, commercial and hotel properties. He is Vice Chairman of Food Patch, a hunger relief organization. Mr. Mounty is a resident of New Rochelle, New York.



CARL H. PFORZHEIMER III, *Representative*. Mr. Pforzheimer is Managing Partner of Carl H. Pforzheimer & Co., an investment banking firm. He is a director and President of the Visiting Nurse Service of New York, former Chairman and honorary member of the Board of Trustees of Horace Mann-Barnard School, past President of the Scarsdale Union Free School District, Chairman of the Board of Trustees of Pace University and a member of the Board of the Hoff-Barthelson Music School. He is also a member of the New York Zoological Society. Mr. Pforzheimer is a resident of Scarsdale, New York.

JEROME REISS, *Representative*. Mr. Reiss is Senior Partner to the law firm of Thelen, Marrin, Johnson & Bridges and has written extensively on construction law issues. He is General Counsel to the Artists' Fellowship, Inc., and a former Director of Brownsville Boys and Alumni Association. Mr. Reiss is a resident of Scarsdale, New York.

ROBERT W. SEAVEY, *Representative*. Mr. Seavey is counsel to the law firm of Blutrigh, Falcone & Miller, New York, New York, Chairman of the Citizens Housing & Planning Council of New York and a Trustee of Brooklyn Law School. He is a former Chairman of the Battery Park City Authority and a past Member of the Committee of Housing and Urban Development of the Association of the Bar of the City of New York. Mr. Seavey is a resident of East Hampton, New York.

## PART 12 -- LITIGATION

The Corporation is not party to any litigation. Various actions between 1975 and 1979 challenging the constitutionality of the imposition and appropriation of the Sales Tax and Stock Transfer Tax to the Corporation have all been dismissed with the State's highest court affirming the constitutionality of the Sales Tax and Stock Transfer Tax as security and sources of payment for the Corporation's obligations. The United States Supreme Court dismissed an appeal from the State court ruling for lack of a substantial Federal question.

## PART 13 -- SUMMARY OF CERTAIN PROVISIONS OF THE 1991 GENERAL BOND RESOLUTION

The following is a summary of certain provisions of the 1991 General Bond Resolution. The summary is not comprehensive or definitive and is subject to all of the terms and provisions of the Resolution, to which reference is hereby made and copies of which are available from the Corporation. Section references, unless otherwise indicated, are to such Resolution.

### Certain Defined Terms

The following terms defined in the 1991 General Bond Resolution shall have the following meanings when used in this Official Statement:

"Accreted Amount" means with respect to any Discount Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Discount Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Amount on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Amount accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Amounts for such Valuations Dates.

"Bond" or "Bonds" means any Bond or the issue of Bonds, as the case may be, established and created by the Resolution and issued pursuant to a Series Resolution.

"Bond Payment Fund" means the fund by that name established by Section 602 of the Resolution.

"Bond Reserve Fund" means the fund by that name established by Section 602 of the Resolution.

“Bond Reserve Fund Requirement” means, as of any date of calculation, an amount not less than one-half of the maximum debt service due in any calendar year on all Outstanding Bonds; provided, however, if any such Bonds shall be Variable Rate Bonds, the amount of interest to be payable with respect to such Bonds shall be calculated at the maximum rate permissible with respect to such Bonds for such period as determined with respect to the applicable Series Resolutions; provided further that amounts, if any, to be paid during such calendar year pursuant to any tender, put or similar arrangement shall not be included in such calculation of maximum debt service, except to the extent specifically required in the Series Resolution pursuant to which Bonds subject to such tender, put or similar arrangement are authorized; and provided, further however, that such Bond Reserve Fund Requirement shall not be such as would subject interest on any Bonds intended, or previously determined, to be exempt from taxation for federal income tax purposes, to taxation for federal income tax purposes.

“Bondowners” or “Owner of Bonds” or “Owner” (when used with reference to Bonds) or any similar term, means any person or party who is the registered owner of any Outstanding Bond or Bonds, subject to the provisions of Section 310 of the Resolution.

“Business Day” means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in the City.

“City” means the City of New York.

“Discount Bond” means any Bond so designated in a Series Resolution.

“First General Bond Resolution” means the General Bond Resolution adopted by the Corporation on July 2, 1975, as heretofore and hereafter supplemented in accordance with the terms thereof.

“Interest Payment Date” means the date on which interest is (or, with respect to Discount Bonds, Accreted Amounts are) to be paid with respect to the Bonds as provided in Section 301 of the Resolution.

“Maturity Amount” with respect to any Discount Bond means the stated Accreted Amount of such Bond at the maturity date thereof.

“Operating Expenses” means the Corporation’s expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and includes administrative expenses, legal, accounting and consultants’ services and expenses, payments to pension, retirement, health and hospitalization funds, amounts owed the United States government and not otherwise provided for, amounts due to any credit or liquidity facility provider with respect to the Bonds and any other expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, or the Resolution or, to the extent not otherwise provided for, the First General Bond Resolution, the Second General Bond Resolution or otherwise.

“Operating Fund” means the fund by the name established by Section 602 of the First General Bond Resolution.

“Outstanding”, when used with reference to Bonds, other than Bonds held by or for the account of the Corporation, means, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount, the Accreted Amount or the Redemption Price thereof, as the case may be, with interest to the date of maturity or Redemption Date, shall be held by the Trustee in trust (whether at or prior to the maturity or Redemption Date), (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106, and (iv) Bonds deemed to have been defeased.

“Per Capita Aid” means the amounts of per capita aid, if any, payable to the City pursuant to Section 54 of the State Finance Law, as the same may be amended from time to time.

“Rebate Fund” means the fund by that name established by Section 602 of the Resolution.

“Redemption Price” means, with respect to any Bond, other than a Discount Bond, the principal amount thereof, plus the applicable premium, if any, and with respect to any Discount Bond, the Accreted Amount thereof, plus the applicable premium, if any, in each case payable upon redemption thereof pursuant to the Resolution and the Series Resolution pursuant to which the same was issued.

“Resolution” means the 1991 General Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

“Revenues” means all payments to the Corporation pursuant to Sections 3036, 3036-a and 3036-b of the Act except any payments to the Corporation for credit to the Operating Fund or the Rebate Fund.

“Second General Bond Resolution” means the Second General Bond Resolution adopted by the Corporation on November 25, 1975, as heretofore and hereafter supplemented and amended in accordance with the terms thereof.

“Serial Bonds” means the Bonds so designated in a Series Resolution.

“Series of Bonds” or “Bonds of a Series” or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

“Series Resolution” means a resolution of the Corporation authorizing the issuance of a Series of Bonds in accordance with the terms and provisions thereof adopted by the Corporation in accordance with Article X of the Resolution.

“Sinking Fund Installment” means as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required by the relevant Series Resolution, to be paid at all events by the Corporation on a single future January 1 or July 1 or such other date or dates as specified in a Series Resolution, for the retirement of any Outstanding Bonds of that Series which mature after such January 1 or July 1 or such other date or dates as specified in a Series Resolution, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

“Special Aid Account” means the special account created for the Corporation in the State Aid Fund.

“State” means the State of New York.

“State Aid Fund” means the Municipal Assistance State Aid Fund established pursuant to Section 92-e of the State Finance Law.

“Stock Transfer Tax” means the tax on the sale or transfer of stock or other certificates imposed by Article 12 of the Tax Law of the State.

“Supplemental Resolution” means a resolution supplemental to or amendatory of the Resolution, adopted by the Corporation in accordance with Article X of the Resolution.

“Term Bonds” means the Bonds so designated in a Series Resolution and payable from Sinking Fund Installments.

“Trustee” means United States Trust Company of New York, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the Resolution.

“Valuation Date” means, with respect to any Discount Bond, the date or dates set forth in the Series Resolution authorizing such Bond on which specific Accreted Amounts are assigned to such Discount Bond.

“Variable Rate Bonds” means Bonds designated as such in a Series Resolution.

#### **The Pledge Effected by the Resolution**

The proceeds of the sale of the Bonds, the Revenues and all Funds established by the Resolution (except for the Operating Fund and the Rebate Fund) are pledged to the payment of the principal or Accreted Amount of and interest on the Bonds (other than as may be required to be paid pursuant to

any tender, put or similar arrangement except to the extent specifically required in the Series Resolution pursuant to which Bonds subject to such tender, put or similar arrangement are authorized). The pledge created by the Resolution is subordinate to the pledge of the revenues, moneys and securities and funds pledged under the First General Bond Resolution and the Second General Bond Resolution. (Resolution, Section 601)

#### **Establishment of Funds**

The Resolution establishes the Rebate Fund, the Bond Payment Fund and Bond Reserve Fund, all of which are held by the Trustee. (Resolution, Section 602)

#### **Application of Payments**

The payments received by the Corporation in accordance with the Act shall be applied to the Rebate Fund, the Bond Reserve Fund, the Bond Payment Fund and the Operating Fund. If the amount of any payment received is less than the amount certified by the Chairman of the Corporation, such amount shall be applied *first* to the Bond Payment Fund, *second* to the Rebate Fund, *third* to the Bond Reserve Fund, and *last* to the Operating Fund on the basis of the respective amounts certified. (Resolution, Section 603)

#### **Operating Fund**

The Corporation shall pay out of the Operating Fund the amounts required for the payment of Operating Expenses. (Resolution, Section 604)

#### **Bond Payment Fund**

1. On or before the Business Day preceding each Interest Payment Date, the Trustee shall pay, from the Bond Payment Fund, to itself, the amount required for such payment.

2. If the amount in the Bond Payment Fund shall be less than the amounts required to be paid pursuant to paragraph 1 above, the Trustee shall withdraw from the Bond Reserve Fund such amount as will be sufficient to make such payment.

3. As soon as practicable after the 45th day preceding the date of any Sinking Fund Installment, the Trustee shall call for redemption the specified amount of Term Bonds to be retired by such Sinking Fund Installment.

4. The Corporation may, at any time during the twelve-month period prior to a date on which a Sinking Fund Installment is to be made, but not less than 45 days prior to the date on which a Sinking Fund Installment is due if such purchase is to be credited against the next succeeding Sinking Fund Installment, direct the Trustee to purchase, with monies in the Bond Payment Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase, or, where applicable, the Accreted Amount, Term Bonds payable from such Sinking Fund Installment. Term Bonds so purchased shall be credited against a Sinking Fund Installment to be made within such twelve-month period. Notwithstanding the foregoing, nothing contained in the Resolution shall be construed to prohibit the Corporation from purchasing Bonds for cancellation with other available monies not held under the Resolution at any price and from directing the Trustee to credit such purchased and cancelled Bonds against any Sinking Fund Installment applicable to such Bonds and for which notice of such Sinking Fund Installment has not been given.

(Resolution, Section 605)

#### **Bond Reserve Fund**

1. The Corporation shall deposit into the Bond Reserve Fund (i) such portion of the proceeds of sale of Bonds as shall be prescribed by a Series Resolution; and (ii) any other moneys which may be made available to the Corporation for such purposes from any other source or sources.

2. Moneys and securities in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement, upon direction of the Corporation, may be deposited to the credit of the Rebate Fund, to the extent of any deficiency therein, and otherwise to the Bond Payment Fund.

3. Moneys and securities held in the Bond Reserve Fund may, and at the direction of the Corporation shall, be withdrawn therefrom by the Trustee and deposited in the Bond Payment Fund for the purchase or redemption of Bonds at any time; provided that subsequent to such withdrawal, the amount in the Bond Reserve Fund will not be less than the Bond Reserve Fund Requirement.  
(Resolution, Section 606)

#### **Rebate Fund**

The Corporation shall deposit into the Rebate Fund all amounts required to be so deposited in order for the Corporation to comply with its covenants contained in the Resolution and any Series Resolution. Amounts in the Rebate Fund in excess of amounts required for the Corporation to comply with such covenants may be transferred from the Rebate Fund as the Corporation directs.  
(Resolution, Section 607)

#### **Certification to the State Comptroller and to the Mayor of the City of New York**

In order to assure the maintenance of the Operating Fund, the Bond Payment Fund and the Bond Reserve Fund, not less than 120 days before the beginning of each Fiscal Year (but prior to February 12 in each calendar year), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor, with a copy of such certificate to the Trustee, a schedule setting forth the cash requirements of the Corporation for such Fiscal Year and the time or times when such cash is required, which certification shall be revised from time to time as required. The total amount so certified by such Chairman for such Fiscal Year shall be equal to: (i) the amounts which are required to maintain the Bond Reserve Fund at the Bond Reserve Fund Requirement; (ii) the amounts required to be deposited in the Bond Payment Fund to pay all interest on and all payments of principal, Accreted Amounts, Sinking Fund Installments, if any, and Redemption Price, if any, of Bonds maturing or otherwise coming due during such Fiscal Year; and (iii) the amounts required to be deposited in the Operating Fund as determined by the Corporation, to meet the Operating Expenses of the Corporation during such Fiscal Year (including amounts required to be deposited into the Rebate Fund to the extent not otherwise provided). In order further to secure the obligations of the Corporation, including the Bonds, each quarterly payment (to be made on or before April 12, June 25, October 12 and January 12) by the State Comptroller to the Corporation in accordance with such certification, shall be an amount, after taking into account moneys then in the Bond Payment Fund and available for purposes of the Bond Payment Fund during such Fiscal Year, not less than the sum of (A) 50% of the interest on all Outstanding Bonds payable within six months after the end of the quarterly period for which such payment is made plus (B) 25% of the principal, Accreted Amounts and premium, if any, on all Bonds and Sinking Fund Installments of the Corporation payable within one year after the end of the quarterly period for which such payment is made and such amount, if any, as may be required to be paid into the Bond Reserve Fund during the Fiscal Year of which such quarterly period is a part. Notwithstanding the foregoing, the Corporation covenants to make the certifications referred to above at such times and in such amounts as shall be necessary to coincide with the State procedures for payment of Per Capita Aid or other sources of revenues and as shall be necessary to make the deposits required herein and to make principal and Accreted Amounts of, Redemption Price, if any, and interest payments on the Bonds when due. If any increase shall occur in the cash requirements specified above, or if payments are required at a time or times earlier than previously certified, or if the City shall for any reason fail to make timely payment of the principal and accrued interest due on any obligation issued by the City to the Corporation and maturing within the same Fiscal Year, the Chairman shall certify a revised schedule of cash requirements for such Fiscal Year to the State Comptroller and to the Mayor. The schedule accompanying each certification (or revision thereof) shall provide for such payment dates as the Corporation deems appropriate to assure that sufficient funds will be available to meet the obligations of the Corporation as they become due. The Chairman shall exclude from consideration in making any

such certification with respect to the funds required by the Corporation for payment of principal or Accreted Amount of or interest on the Bonds, any amounts due to be received as payment of principal of or interest on obligations of the City held by the Corporation.  
(Resolution, Section 608)

### **Creation of Liens**

The Corporation shall not issue any indebtedness, other than the Bonds, secured by the Bond Reserve Fund, and shall not create any lien prior to the Bonds on the Bond Payment Fund, provided, however, that nothing shall prevent the Corporation from issuing (i) indebtedness under a separate resolution if the lien created by such resolution is not prior or equal to the charge or lien created by the 1991 General Bond Resolution, (ii) obligations issued in accordance with the applicable provisions of the First General Bond Resolution and the Second General Bond Resolution except as limited by Section 909 of the Resolution, and (iii) obligations issued in lieu of or in substitution for other obligations pursuant to applicable provisions of the First General Bond Resolution or the Second General Bond Resolution.  
(Resolution, Section 907)

### **General**

The Corporation shall not amend the First General Bond Resolution or the Second General Bond Resolution in any manner which would have a material adverse effect on the owners of bonds issued thereunder, provided, however, that nothing shall prevent the issuance of obligations upon the terms as provided in the First General Bond Resolution or the Second General Bond Resolution. The Corporation has covenanted not to issue additional First Resolution Obligations or Second Resolution Bonds unless, after giving effect to the issuance of such obligations, available Sales Tax revenues, after deducting maximum annual debt service payments on the First Resolution Obligations and the Second Resolution Bonds and the current operating expenses of the Corporation, would cover maximum annual debt service payments on the Notes, Bonds or Obligations by at least two times.  
(Resolution, Section 909)

### **Additional Obligations**

The Corporation reserves the right to issue its obligations under a separate resolution so long as the same are not entitled to a prior or equal lien with respect to the moneys pledged under the Resolution or with respect to proceeds from the Per Capita Aid, the Sales Tax or the Stock Transfer Tax.  
(Resolution, Section 204)

### **Events of Default**

The Resolution provides that it shall constitute an "event of default" if:

(a) the Corporation shall default in the payment of the principal, Accreted Amount, Sinking Fund Installments, if any, or Redemption Price of any Bond when due; or

(b) the Corporation shall default in the payment of interest on any of the Bonds and such default shall continue for a period of 30 days; or

(c) the Corporation shall fail or refuse to comply with the provisions of the Act relating to the certification of its quarterly requirements, or the State Comptroller shall fail to pay to the Corporation any amount or amounts as shall be certified by the Chairman of the Corporation pursuant to such provisions of the Act, or the Corporation shall fail or refuse to deposit in the Bond Reserve Fund, the Rebate Fund or the Bond Payment Fund the amount or amounts received by the Corporation for deposit in such funds, respectively; or

(d) the Corporation shall fail or refuse to comply with the provisions of the Act, other than as provided in (c) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolu-

tion, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the owners of not less than 5% in the aggregate principal amount and Accreted Amount of the Outstanding Bonds; or

(e) the State shall for any reason fail or refuse to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by the Tax Law as the same may be from time to time amended or if the rates of such taxes shall be reduced to rates less than those in effect on July 2, 1975; or

(f) the State shall fail to maintain the existence of either the special account in the Municipal Assistance Tax Fund or the Stock Transfer Tax Fund; or

(g) the State shall for any reason fail or refuse to apportion and pay Per Capita Aid or shall fail to maintain the State Aid Fund and the Special Aid Account therein or shall reduce the amount of Per Capita Aid payable during the current Fiscal Year to an amount less than the maximum amount of principal of and interest maturing or otherwise coming due on the Outstanding Bonds in the current or any future Fiscal Year.

(Resolution, Section 1202)

### Remedies

The Resolution vests the Trustee with all rights, powers and duties of a trustee appointed by Bondowners pursuant to the Act.

(Resolution, Section 1201)

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202 of the Resolution, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c), (d), (e), (f) or (g), of said Section, the Trustee may proceed, and upon the written request of the Owners of not less than 25% in aggregate principal amount and Accreted Amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondowners, and to require the Corporation to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Owners of the Bonds;

(d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or

(e) in accordance with the provisions of the Act to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than 25% in aggregate principal amount and Accreted Amount of the Outstanding Bonds, to annul such declaration and its consequences.

In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due under any provision of the Resolution or a Series Resolution or of the Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgement or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

(Resolution, Section 1203)

### **Series Resolutions and Supplemental Resolutions**

The Corporation may adopt (without the consent of any Bondowners) a Series Resolution or Supplemental Resolution to provide for the issuance of a Series of Bonds and specify the terms thereof; to add additional covenants and agreements for the purpose of further securing the payment of the Bonds; to prescribe further limitations and restrictions on the issuance of Bonds and the incurring of indebtedness by the Corporation; to surrender any right, power, or privilege reserved to the Corporation by the terms of the Resolution; to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues or any other monies, securities or funds; to modify any of the provisions of the Resolution or any previously adopted Series Resolution in any other respects, provided that such modifications shall not be effective until all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or, with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect.  
(Resolution, Section 1001)

Any of the provisions of the Resolution may be amended by a Supplemental Resolution with the written consent of the owners of at least two thirds in the aggregate principal amount and Accreted Amount in each case of (a) all Bonds then Outstanding, and (b) if less than all the Series of Bonds then Outstanding are affected, the Bonds then Outstanding of each affected Series; excluding, in each case, from such consent, and from the Outstanding Bonds, the Bonds of any specific Series and maturity, if such amendment by its terms will not take effect so long as any such Bonds remain Outstanding; provided that any such amendment shall not permit a change in the terms of redemption or maturity of the principal or Accreted Amount of any Outstanding Bond or any installment of interest on any such Bond or make any reduction in principal amount, the Accreted Amount or Redemption Price, or interest without the consent of the Owner of such Bond, or reduce the percentages of consents or otherwise affect the classes of Bonds required for a further amendment.  
(Resolution, Section 1101)

Amendments may be made in any respect with the written consent of the Owners of all of the Bonds then Outstanding.  
(Resolution, Section 1103)

### **Investment of Funds**

The Corporation may direct the Trustee to invest moneys in the Bond Payment Fund and the Bond Reserve Fund in (a) direct obligations of the United States of America, direct obligations of the State or obligations the principal and interest of which are guaranteed by the United States of America or the State, (b) any obligation issued by certain federal agencies, (c) if permitted by law, any obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association, (d) any other obligation of the United States of America or any federal agencies which may then be purchased with funds belonging to the State of New York or held in the State Treasury, (e) interest bearing time deposits, (f) other similar investment arrangements, including, but not limited to, repurchase agreements covering obligations of issuers enumerated as aforesaid and (g) to the extent permitted by law, any obligation the interest on which is not included in gross income for federal income tax purposes and which is payable as to both principal and interest, from the principal of and interest paid on obligations of the United States of America.

The Trustee shall not be liable or responsible for the making of any authorized investment made in the manner provided in the Resolution or for any loss resulting therefrom.  
(Resolution, Sections 702 and 703)



## Defeasance

1. If the Corporation shall pay or cause to be paid to the Owners of all Bonds then Outstanding, the principal and interest, Accreted Amount, and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution (other than as may be required pursuant to any tender, put or similar arrangement except to the extent specifically required in the Series Resolution pursuant to which Bonds subject to such tender, put or similar arrangement are authorized), then, at the option of the Corporation, the covenants, agreements and other obligations of the Corporation to the Bondowners shall be discharged and satisfied; provided that, in addition to certain other covenants, any covenants made with respect to maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes shall survive.

2. Bonds, any principal portion thereof or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 above. All Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in such paragraph 1 above if (a) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when due, the principal, Accreted Amount, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, (b) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish a notice of redemption in accordance with the procedures provided in the Resolution and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail notice to the Owners of such Bonds, that the deposit required by (a) above has been made with Trustee and that such Bonds are deemed to be paid in accordance with the Resolution and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal, Accreted Amount or Redemption Price, if applicable, on such Bonds. Neither direct obligations of the United States of America or moneys deposited with the Trustee pursuant to Section 1401 of the Resolution nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Accreted Amount or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payment on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in direct obligations of the United States of America maturing at times and amounts sufficient to pay when due the principal, Accreted Amount or Redemption Price, if applicable, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment, to the extent not required to be deposited in the Rebate Fund, shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.  
(Resolution, Section 1401)

## **PART 14 – TRUSTEE**

United States Trust Company of New York is the Trustee under the 1991 General Bond Resolution, as well as the Trustee under the Second General Bond Resolution. Its principal offices are located at 114 West 47th Street, New York, New York 10036. The Trustee has accepted the duties and responsibilities imposed upon it by the 1991 General Bond Resolution and is vested with all of the rights, powers and duties of a trustee appointed by owners of 1991 Resolution Bonds pursuant to the Act. Upon the happening of an “event of default” as defined in the 1991 General Bond Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Bondowners. See “PART 13 – SUMMARY OF CERTAIN PROVISIONS OF THE 1991 GENERAL BOND RESOLUTION”. In the performance of its duties, the Trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own negligence or default. The Trustee is protected in acting upon any direction or document believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The Trustee may resign at any time upon 60 days’ written notice to the Corporation and upon mailing notice thereof to the Bondowners. Any such resignation shall take effect on the date specified in the notice, but in the event that a successor has been appointed, the resignation shall take effect immediately. The Trustee may be removed by the Corporation for actions or events arising from the Trustee’s negligence, default or willful misconduct.

As of the date hereof, the Trustee owns no bonds or other obligations of the Corporation for its own account. The Trustee has performed, and may in the future perform, certain banking services for the Corporation.

## **PART 15 – LEGAL INVESTMENT**

The 1991 Resolution Bonds are legal investments, under present provisions of State law, for all public officers and bodies of the State and political subdivisions of the State and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State. Pursuant to the Act, the 1991 Resolution Bonds may be deposited with, and may be received by, all public officers and bodies of the State and all political subdivisions thereof and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

## **PART 16 – TAX EXEMPTION AND TAX CONSEQUENCES**

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants described herein, interest on the Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is further of the opinion that interest on the Series C Bonds is not a specific preference item for purposes of the individual or corporate federal alternative minimum taxes. However, Bond Counsel observes that interest on the Series C Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series C Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City). A copy of the proposed opinion of Bond Counsel is set forth in Exhibit B hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series C Bonds, including those that must be met subsequent to the issuance and delivery of the Series C Bonds in

order that interest on the Series C Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. The Corporation has covenanted in certain documents relating to the Series C Bonds to comply with certain restrictions designed to assure that interest on the Series C Bonds will not become includable in gross income for federal tax purposes. Failure to comply with these covenants may result in interest on the Series C Bonds being included in federal gross income of the Bondowners, possibly from the date of issuance of the Series C Bonds. The opinion of Bond Counsel assumes compliance with such covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series C Bonds may adversely affect the tax status of interest on the Series C Bonds.

Certain requirements and procedures contained or referred to in the documents relating to the Series C Bonds may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, in connection with which the advice or approving opinion of nationally recognized bond counsel would be required. Orrick, Herrington & Sutcliffe expresses no opinion as to any Series C Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe.

Although Bond Counsel has rendered an opinion that interest on the Series C Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City), the ownership or disposition of, or the accrual or receipt of interest on, the Series C Bonds may otherwise affect a Bondowner's federal, State or local tax liability. Interest on the Series C Bonds may be subject to State or local income taxes in jurisdictions other than the State of New York or any political subdivision thereof under applicable state or local tax laws. The nature and extent of these other tax consequences will depend upon the Bondowner's particular tax status or the Bondowner's other items of income or deduction. Bondowners should consult their tax advisors concerning any such tax consequences. Bond Counsel expresses no opinion regarding any such other tax consequences.

#### **PART 17 – LEGAL OPINIONS**

All legal matters incident to the authorizations, issuance, sale and delivery of the Series C Bonds are subject to the approval of Orrick, Herrington & Sutcliffe, New York, New York, Bond Counsel to the Corporation. The approving opinion of Bond Counsel with respect to the Series C Bonds will be in substantially the form attached to this Official Statement as Exhibit B. The opinion of Bond Counsel with respect to the payment of the Refunded Bonds will be in substantially the form attached to this Official Statement as Exhibit C. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Carter, Ledyard & Milburn, New York, New York, have acted as counsel for the Trustee.

Certain matters will be passed upon for the Underwriters by their counsel, Mudge Rose Guthrie Alexander & Ferdon, New York, New York.

#### **PART 18 – UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series C Bonds from the Corporation at a discount from the initial public offering prices equal to % of the principal amount of the Series C Bonds. The Underwriters may offer to sell such Series C Bonds to certain dealers and others at prices lower than the initial public offering prices and the public offering prices may be changed from time to time by the Underwriters. The Corporation has agreed to indemnify the Underwriters against certain liabilities.

Certain institutional investors, some of which are Underwriters, hold substantial amounts of bonds of the Corporation and the City, and such investors may, from time to time during and after the time when the Series C Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

#### **PART 19 – FINANCIAL STATEMENTS**

The audited financial statements of the Corporation for the year ended June 30, 1992 and the accompanying report thereon by Price Waterhouse, the Corporation's independent accountants, and the unaudited financial statements of the Corporation for the six months ended December 31, 1992 are annexed hereto as Exhibit A. Subsequent to December 31, 1992, the following events took place and are not included in the December 31, 1992 unaudited financial statements: the receipt on January 12, 1993 of \$45.8 million of Sales Tax revenues for Second Resolution Bond purposes and \$44.2 million for 1991 Resolution Bond purposes; and the payment on January 15, 1993 of \$93.96 million principal amount of Series B Bonds under the 1991 Resolution.

#### **PART 20 – MISCELLANEOUS**

Lazard Freres & Co. is acting without compensation as financial advisor to the Corporation. Felix G. Rohatyn, Chairman of the Corporation, is a General Partner of such firm.

The First Boston Corporation is acting as a managing underwriter in connection with the sale of the Series C Bonds. The husband of the Corporation's Deputy Executive Director and Treasurer, Ms. Frances Higgins Jacobs, is a Director of such firm.

The references herein to the Act, the Emergency Act, the Tax Law, the Finance Law, the various agreements, and the First, Second and 1991 General Bond Resolutions and series resolutions promulgated thereunder are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such Acts, Laws, various agreements, General Bond Resolutions and series resolutions for full and complete statements of such provisions. Copies of such Acts, Laws, agreements, General Bond Resolutions and series resolutions are available at the office of the Corporation.

The delivery of this Official Statement has been duly authorized by the Corporation.

MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK

By

## APPENDIX

### Definitions

The following are definitions of certain of the terms used in this Official Statement.

*Act*—New York State Municipal Assistance Corporation Act and the Municipal Assistance Corporation For the city of New York Act, each as amended to date (Sections 3001 through 3040 of the State Public Authorities Law).

*Board*—Board of Directors of the Corporation.

*Bond Payment Fund*—the bond payment fund established under the 1991 General Bond Resolution and held by the Trustee.

*Bond Service Fund*—the bond service fund established under the Second General Bond Resolution and held by the trustee thereunder.

*Capital Reserve Aid Fund*—the capital reserve fund established under the Second General Bond Resolution and held by the trustee thereunder.

*Capital Reserve Fund*—the capital reserve fund established under the First General Bond Resolution and held by the trustee thereunder.

*Control Board*—New York State Financial Control Board which was created in September 1975 pursuant to the Emergency Act.

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

*Debt Service Fund*—the debt service fund established under the First General Bond Resolution and held by the trustee thereunder.

*Emergency Act*—the New York State Financial Emergency Act for the City of New York, as amended to date.

*Finance Law*—the State Finance Law of New York.

*First Resolution Obligations*—Bonds, Notes or Other Obligations (each as defined in the First General Bond Resolution) that are or may be issued pursuant to the First General Bond Resolution.

*Fiscal Year*—for the Corporation and the City, the 12 months ended June 30; for the State, the 12 months ended March 31.

*Municipal Assistance State Aid Fund*—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Per Capita Aid is paid.

*Municipal Assistance Tax Fund*—a fund established for the Corporation pursuant to the Finance Law and in the custody of the State Comptroller into which Sales Tax and, if necessary, Stock Transfer Tax is paid.

*1991 General Bond Resolution*—the 1991 General Bond Resolution of the Corporation adopted February 6, 1991.

*1991 Resolution Bonds*—bonds that are or may be issued pursuant to the 1991 General Bond Resolution.

*1978 State Covenant*—a covenant of the State that it will not take certain actions with respect to the Control Board.

*Per Capita Aid*—amounts of revenue, if any, available to the Corporation (that otherwise would have been payable to the City) from the General Fund of the State as per capita State aid pursuant to Section 54 of the Finance Law.

*Sales Tax*—collections of the State sales and compensating use taxes formerly imposed by the City, and now imposed by the State within the City.

*Second Resolution Bonds*—bonds that are or may be issued pursuant to the Second General Bond Resolution.

*Series C Bonds*--the Bonds described in this Official Statement authorized to be issued pursuant to the Series B Resolution.

*Series C Resolution* --the Series Resolution of the Corporation authorizing the Series C Bonds.

*Stock Transfer Tax Fund* --the fund established for the Corporation pursuant to the Finance Law in the Custody of the Commissioner of Taxation and Finance into which the Stock Transfer Tax is paid.

*Tax Law* --the State Tax Law of New York.

**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, Summary of Changes in Funding Requirement and the related Debt Service and Reserve Funds and Operating Fund Statements of Transactions and of Cash Flows present fairly, in all material respects, the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1992, and the Debt Service Fund, Reserve Funds and Operating Fund transactions, and its cash flows for the year then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

153 East 53rd Street  
New York, New York 10022  
August 6, 1992

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## STATEMENT OF FINANCIAL POSITION

	<u>December 31, 1992</u> (unaudited)	<u>June 30, 1992</u>
<b>LIABILITIES:</b>		
Second General Resolution Bonds .....	\$5,080,975,000	\$5,080,975,000
1991 General Resolution Bonds .....	<u>467,860,000</u>	<u>517,860,000</u>
Total bonds payable .....	5,548,835,000	5,598,835,000
Accrued interest on bonds payable .....	10,278,892	4,733,494
Federal rebate requirement .....	5,463,091	5,463,091
Operating Fund .....	<u>1,835,357</u>	<u>2,407,096</u>
Total liabilities .....	<u>5,566,412,340</u>	<u>5,611,438,681</u>
<b>ASSETS:</b>		
Debt Service Fund:		
Cash .....	-0-	2,201
Investments in securities .....	381,717,169	400,504,284
Accrued interest on securities .....	54,144	52,127
City of New York obligations .....	1,278,915,000	1,393,524,000
Accrued interest on City of New York obligations .....	<u>38,379,001</u>	<u>41,224,307</u>
Total Debt Service Fund .....	<u>1,699,065,314</u>	<u>1,835,306,919</u>
Second Capital Reserve Fund:		
Investments in securities .....	549,009,278	553,576,485
Accrued interest on securities .....	<u>5,754,282</u>	<u>5,872,698</u>
Total Second Capital Reserve Fund .....	<u>554,763,560</u>	<u>559,449,183</u>
1991 Bond Reserve Fund:		
Cash .....	2,281	1,477
Investments in securities .....	110,908,760	108,166,881
Accrued interest on securities .....	<u>3,237,418</u>	<u>3,431,839</u>
Total 1991 Bond Reserve Fund .....	<u>114,148,459</u>	<u>111,600,197</u>
Operating Fund .....	<u>3,776,914</u>	<u>2,694,515</u>
Total assets .....	<u>2,371,754,247</u>	<u>2,509,050,814</u>
Funding requirement .....	<u>\$3,194,658,093</u>	<u>\$3,102,387,867</u>

See accompanying notes to the financial statements.



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

**DEBT SERVICE AND RESERVE FUNDS**

**STATEMENT OF TRANSACTIONS**

	<u>For the six months</u> <u>ended December 31, 1992</u>	<u>For the fiscal year</u> <u>ended June 30, 1992</u>
	(unaudited)	
RECEIPTS:		
Debt Service Fund:		
Principal amount of bonds issued for refunding purposes . . . . .	\$ -0-	\$ 380,650,000
Less: Underwriting discount, net of premium of \$239,042 . . . . .	<u>-0-</u>	<u>(329,828)</u>
Net proceeds from issuance of bonds . . . . .	-0-	380,320,172
State sales tax revenues . . . . .	-0-	540,300,000
Income from investments . . . . .	8,132,686	38,124,453
Income from City of New York obligations . . . . .	67,388,698	142,888,993
Transfers from First Capital Reserve Fund . . . . .	-0-	244,335,173
Transfers from Second Capital Reserve Fund . . . . .	25,368,817	140,576,492
Transfers from 1991 Bond Reserve Fund . . . . .	1,073,813	429,914
Transfers to Operating Fund . . . . .	<u>(6,170,972)</u>	<u>(9,416,960)</u>
Total . . . . .	<u>95,793,042</u>	<u>1,477,558,237</u>
First Capital Reserve Fund:		
Income from investments . . . . .	-0-	17,137,802
Transfers to Debt Service Fund . . . . .	-0-	(244,335,173)
Transfers to 1991 Bond Reserve Fund . . . . .	<u>-0-</u>	<u>(101,556,575)</u>
Total . . . . .	<u>-0-</u>	<u>(328,753,946)</u>
Second Capital Reserve Fund:		
Income from investments . . . . .	20,683,196	53,617,852
Transfers to Debt Service Fund . . . . .	<u>(25,368,817)</u>	<u>(140,576,492)</u>
Total . . . . .	<u>(4,685,621)</u>	<u>(86,958,640)</u>
1991 Bond Reserve Fund:		
Income from investments . . . . .	3,622,075	2,903,411
Transfers from First Capital Reserve Fund . . . . .	-0-	101,556,575
Transfers to Debt Service Fund . . . . .	<u>(1,073,813)</u>	<u>(429,914)</u>
Total . . . . .	<u>2,548,262</u>	<u>104,030,072</u>
Total receipts . . . . .	<u>93,655,683</u>	<u>1,165,875,723</u>
EXPENDITURES:		
Interest on First General Resolution Bonds . . . . .	-0-	43,519,788
Interest on Second General Resolution Bonds . . . . .	177,201,709	372,937,154
Interest on 1991 General Resolution Bonds . . . . .	10,378,338	13,297,924
Principal repayment of First General Resolution Bonds . . . . .	-0-	190,000,000
Principal repayment of Second General Resolution Bonds . . . . .	-0-	257,140,000
Principal repayment of 1991 General Resolution Bonds . . . . .	50,000,000	1,230,000
Defeasance of bonds and related interest . . . . .	<u>-0-</u>	<u>815,521,733</u>
Total expenditures . . . . .	<u>237,580,047</u>	<u>1,693,646,599</u>
Deficiency of receipts over expenditures for the period . . . . .	<u>\$(143,924,364)</u>	<u>\$ (527,770,876)</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF TRANSACTIONS**

	<u>For the six months ended December 31, 1992</u> (unaudited)	<u>For the fiscal year ended June 30, 1992</u>
<b>RECEIPTS:</b>		
Income from investments .....	\$ 29,589	\$ 85,475
Transfers from Debt Service Fund .....	<u>6,170,972</u>	<u>9,416,960</u>
Total receipts .....	<u>6,200,561</u>	<u>9,502,435</u>
<b>EXPENDITURES:</b>		
Debt issuance .....	44,306	408,727
Debt administration .....	236,886	967,351
General administration .....	759,219	1,330,240
State Cost Recovery Assessment .....	1,253,461	3,954,898
Oversight function:		
Financial Control Board .....	1,033,311	1,980,122
Office of the State Deputy Comptroller .....	<u>1,219,240</u>	<u>370,484</u>
Total expenditures .....	<u>4,546,423</u>	<u>9,011,822</u>
Excess of receipts over expenditures for the period .....	<u>\$1,654,138</u>	<u>\$ 490,613</u>

**SUMMARY OF CHANGES IN FUNDING REQUIREMENT**

	<u>For the six months ended December 31, 1992</u> (unaudited)	<u>For the fiscal year ended June 30, 1992</u>
Funding requirement at beginning of period .....	\$3,102,387,867	\$3,447,565,604
Changes during the period:		
Debt outstanding .....	(50,000,000)	(872,458,000)
Debt Service and Reserve Funds .....	143,924,364	527,770,876
Operating Fund .....	<u>(1,654,138)</u>	<u>(490,613)</u>
Funding requirement at end of period .....	<u>\$3,194,658,093</u>	<u>\$3,102,387,867</u>

See accompanying notes to the financial statements.

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

**DEBT SERVICE AND RESERVE FUNDS**

**STATEMENT OF CASH FLOWS**

	<u>For the six months ended December 31, 1992</u> (unaudited)	<u>For the fiscal year ended June 30, 1992</u>
<b>Cash flows from Operating Activities:</b>		
Transfers to Operating Fund .....	(\$ 6,170,972)	(\$ 9,416,960)
Net cash used for operating activities .....	<u>(6,170,972)</u>	<u>(9,416,960)</u>
<b>Cash flows from Noncapital Financing Activities:</b>		
Principal and interest paid on bonds.....	(232,034,649)	(904,476,935)
Net proceeds from issuance of bonds .....	-0-	380,320,172
Defeasance of bonds and related interest (cash) .....	-0-	(380,320,172)
State sales tax revenues .....	-0-	540,300,000
Net cash used for noncapital financing activities.....	<u>(232,034,649)</u>	<u>(364,176,935)</u>
<b>Cash flows from Investing Activities:</b>		
New York City obligations:		
Principal repayment .....	114,609,000	115,300,000
Interest received .....	70,234,004	146,329,361
Sales and redemptions of securities .....	518,501,836	2,154,910,152
Purchases of securities .....	(496,269,031)	(2,161,097,665)
Interest received on securities .....	35,141,190	140,467,103
Purchased interest on securities .....	<u>(4,012,775)</u>	<u>(22,328,507)</u>
Net cash provided by investing activities .....	<u>238,204,224</u>	<u>373,580,444</u>
Net decrease in cash .....	(1,397)	(13,451)
Cash at beginning of period .....	<u>3,678</u>	<u>17,129</u>
Cash at end of period.....	<u>\$ 2,281</u>	<u>\$ 3,678</u>
Deficiency of receipts over expenditures.....	(\$143,924,364)	(\$ 527,770,876)
Adjustments to reconcile excess (deficiency) of receipts over expenditures to net cash used for operating activities:		
Amortization of premiums/discounts on securities .....	(4,246,821)	(9,871,322)
Defeasance of bonds and related interest (non-cash) .....	-0-	435,201,561
Decrease in accrued interest on securities .....	310,820	26,525,314
Loss (gain) on sales of securities.....	1,336	(348,054)
Increase (decrease) in accrued interest on bonds payable ..	5,545,398	(26,352,069)
Decrease in Federal rebate requirement .....	-0-	(6,282,549)
Decrease in interest receivable on New York City obligations .....	2,845,306	3,440,368
Principal repayment of New York City obligations.....	114,609,000	115,300,000
Decrease in accrued interest on unsettled trades.....	-0-	(100,346)
Increase (decrease) in provision for unrealized loss on securities.....	2,625,123	(3,567,965)
Nonoperating items .....	<u>16,063,230</u>	<u>(15,591,022)</u>
Total adjustments .....	<u>137,753,392</u>	<u>518,353,916</u>
Net cash used for operating activities .....	<u>(\$ 6,170,972)</u>	<u>(\$ 9,416,960)</u>

See accompanying notes to the financial statements.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**OPERATING FUND**  
**STATEMENT OF CASH FLOWS**

	<u>For the six months ended December 31, 1992</u>	<u>For the fiscal year ended June 30, 1992</u>
	(unaudited)	
<b>Cash flows from Operating Activities:</b>		
Payments to vendors .....	(\$ 5,784,391)	(\$ 8,806,127)
Transfers from Debt Service Fund .....	<u>6,170,972</u>	<u>9,416,960</u>
Net cash provided by operating activities .....	<u>386,581</u>	<u>610,833</u>
<b>Cash flows from Investing Activities:</b>		
Sales and redemptions of securities .....	242,079,000	524,741,000
Purchases of securities .....	(242,492,465)	(525,436,000)
Interest received on securities .....	<u>29,572</u>	<u>86,086</u>
Net cash used for investing activities .....	<u>(383,893)</u>	<u>(608,914)</u>
Net increase in cash .....	2,688	1,919
Cash at beginning of period .....	<u>6,252</u>	<u>4,333</u>
Cash at end of period .....	<u>\$ 8,940</u>	<u>\$ 6,252</u>
Excess of receipts over expenditures for the period .....	<u>\$ 1,654,138</u>	<u>\$ 490,613</u>
<b>Adjustments to reconcile excess of receipts over expenditures to net cash provided by operating activities:</b>		
Interest received on securities .....	(29,572)	(86,086)
Amortization of discounts on securities .....	(43)	-0-
Increase in prepaid expense .....	(666,229)	-0-
Decrease in accrued interest on securities .....	26	608
(Decrease) increase in accrued expense .....	<u>(571,739)</u>	<u>205,698</u>
Total adjustments .....	<u>(1,267,557)</u>	<u>120,220</u>
Net cash provided by operating activities .....	<u>\$ 386,581</u>	<u>\$ 610,833</u>

See accompanying notes to the financial statements.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

### NOTE 1—Organization and Functions of the Corporation:

Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation. The Corporation was created by State legislation adopted in June 1975 (as amended to date, the "Act") for purposes of providing financing assistance and fiscal oversight for The City of New York (the "City"). To carry out such purposes, the Corporation was authorized to sell bonds and notes for the purpose of paying or loaning the proceeds of such sales to the City and to exchange the Corporation's obligations for those of the City.

### NOTE 2—Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting. Receipts from tax allocations are recorded as received. Interest income from investments and interest expense on the Corporation's debt are recorded on the accrual basis. Income from investments includes realized gains and losses from sales of investments. With respect to the Debt Service and Reserve Funds, income from investments is net of an accrued rebate to the United States of America of certain excess earnings (see Note 7). With respect to the Debt Service Fund, income from investments also includes provision for unrealized losses or reversals of prior provisions for unrealized losses on such investments. The Corporation's debt is recorded at the principal amount of the obligations outstanding. Original issue discounts are charged to the Debt Service Fund as incurred and become part of the funding requirement. 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, and amounts required for the payment of debt service due on January 15 and July 15 are accounted for as if paid on the immediately preceding January 14 and July 14, respectively, by which date such amounts are segregated for that purpose by the Trustee under the bond resolutions. The funding requirement of the Corporation reported in the Statement of Financial Position does not include future interest requirements.

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

Investments in securities held in the Reserve Funds (see Note 4) are carried at amortized cost and investments in securities in the Debt Service Fund are carried at the lower of cost or market value, inclusive of accrued interest, in accordance with the bond resolutions pursuant to which they were established. Investments in securities held in the Operating Fund are carried at the lower of cost or market value, inclusive of accrued interest. Investments may consist of direct obligations of, or obligations guaranteed by, the State 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 the Trustee in the name of the Corporation. City of New York obligations are carried at cost. (See Note 6).

### NOTE 3—Bonds of the Corporation: Authorization, Funding, Payment and Refunded Bonds:

#### *Debt Authorization—*

The Corporation was authorized by the Act to issue, until January 1, 1985, obligations in an aggregate principal amount of \$10 billion, of which the Corporation issued approximately \$9.445 billion, exclusive of obligations issued to refund outstanding obligations of the Corporation and of notes issued to enable the City to fulfill its seasonal borrowing requirements. In July 1990, State legislation was enacted which, among other things, authorized the Corporation to issue up to an additional \$1.5

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS -- (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

billion of bonds and notes to fund a portion of the capital programs of the New York City Transit Authority and the New York City School Construction Authority, under the terms contained in a memorandum of agreement dated July 19, 1990, among the Corporation, the State and City. This legislation also provides for a reduction in the July 1990 issuance authority to the extent that the transit and schools capital programs are funded by the City. As of June 30 and December 31, 1992, the Corporation has been advised that the City has funded \$440 million of these programs.

The Corporation continues to be authorized to issue obligations to renew or refund outstanding obligations, without limitation as to amount. No obligations of the Corporation may mature later than July 1, 2008. The Corporation may issue such new obligations provided their issuance would not cause certain debt service limitations and debt service coverage ratios to be exceeded. See Exhibits, I, II and III, which are an integral part of the Corporation's financial statements.

### *Funding Methods--*

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

All outstanding bonds are general obligations of the Corporation. The Corporation has no taxing power. The bonds are entitled to liens, created by pledges under the respective resolutions, on moneys paid into the Debt Service and Reserve Funds.

Debt service for obligations issued and outstanding under the First General Bond Resolution is payable from funds paid into the Debt Service Fund from the State's Municipal Assistance Tax Fund, which is funded from sales and stock transfer tax revenues collected, less the State's charges for collection and administration, from the sales tax and, if necessary, the stock transfer tax. In 1977, the State enacted a program of gradually increasing rebates for all stock transfer taxpayers. Rebates equal to 100% of the tax began on October 1, 1981. The legislation provides that taxpayers are to continue to pay the stock transfer tax at the present rate but will be entitled to a 100% rebate should the Corporation not require the funds. To date, the Corporation has not found it necessary to use the revenues derived from the stock transfer tax to pay its debt service. As a result of the refunding of the Series EE and Series HH Bonds in February 1992, the Corporation has no liabilities remaining under the First General Bond Resolution, and it has covenanted with the Series B bondholders not to issue additional First General Bond Resolution obligations.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS --(Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the year ended June 30, 1992 amounted to \$4,465.5 million. The Corporation was advised that net revenues from such sales and stock transfer taxes collected by the State during the six- and twelve-month periods ended December 31, 1992 amounted to \$2,261.7 million and \$4,606.4 million, respectively, as shown below:

	Six Months Ended		Change
	12/31/92	12/31/91	
Sales Tax.....	\$1,139.6	\$1,084.3	5.1%
Stock Transfer Tax.....	1,122.1	1,036.6	8.2
Total.....	<u>\$2,261.7</u>	<u>\$2,120.9</u>	6.6

	Twelve Months Ended		Change
	12/31/92	12/31/91	
Sales Tax.....	\$2,239.7	\$2,200.8	1.8%
Stock Transfer Tax.....	2,366.7	1,990.5	18.9
Total.....	<u>\$4,606.4</u>	<u>\$4,191.3</u>	9.9

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 and outstanding under the Second General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the Municipal Assistance State Aid Fund, which is funded from per capita aid otherwise payable by the State to the City, and funds paid quarterly from the Municipal Assistance Tax Fund, after satisfying the debt service requirements for obligations issued and outstanding under the First General Bond Resolution and operating expenses as described above. Per capita aid is subject to prior claims asserted by certain other State or City entities; however, the Corporation has been advised that no such claims have been asserted since the inception of the Corporation. Also, the Corporation was advised that total per capita aid paid into the Municipal Assistance State Aid Fund during each of the twelve-month periods ended June 30, 1992 and December 31, 1992 amounted to \$535.0 million.

Debt service for obligations issued and outstanding under the 1991 General Bond Resolution is payable from two sources: funds paid annually into the Debt Service Fund from the Municipal Assistance State Aid Fund after satisfying the debt service requirements, if any, for obligations issued and outstanding under the Second General Bond Resolution and funds paid quarterly from the Municipal Assistance Tax Fund after satisfying the debt service requirements for obligations issued and outstanding under the First and Second General Bond Resolutions.

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

### Payment Dates--

Principal payments at maturity or mandatory sinking fund calls are made February 1 and interest is paid semiannually on February 1 and August 1 for bonds outstanding under the First General Bond Resolution. Principal payments at maturity or mandatory sinking fund calls are made July 1 and interest is paid semiannually on July 1 and January 1 for bonds outstanding under the Second General Bond Resolution and for the Series A Bonds outstanding under the 1991 General Bond Resolution. Principal payments at maturity are made and interest is paid semiannually on January 15 and July 15 for the Series B Bonds outstanding under the 1991 General Bond Resolution. The Corporation may from time to time purchase certain of its securities to satisfy its sinking fund requirements.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS — (Continued)**

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

*Refunded Bonds—*

The Corporation's bonds may be refunded in advance of their maturity in accordance with provisions of the First, Second or 1991 General Bond Resolutions by placing in trust with the Trustee sufficient moneys or certain securities which together with investment income therefrom 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 defeased and deemed to have been paid within the meaning of the First, Second or 1991 General Bond Resolutions and are therefore no longer presented as liabilities of the Corporation. At June 30, 1992 and at December 31, 1992, \$1,688.5 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, 1992 reduced debt service payments by \$99.8 million during the calendar years 1992 through 1995, producing present value savings to the Corporation of \$52.9 million.

**NOTE 4—Reserve Funds:**

Reserve Funds have been established under each of the Corporation's general bond resolutions, in conformance with the requirements of the Act, to provide security for payment of interest on and principal of the bonds issued and outstanding under each of the respective resolutions. The amount required to be on deposit in each of the First and Second General Bond Resolution Capital Reserve Funds is 100% of the principal (including sinking fund installments) and interest maturing or otherwise due or becoming due during the succeeding calendar year on outstanding bonds issued under the respective resolutions. The amount required to be on deposit in the 1991 General Bond Resolution Bond Reserve Fund is an amount not less than one-half of the maximum debt service due in any calendar year on all outstanding 1991 General Resolution bonds.

On February 25, 1992, the Corporation issued its Series B Bonds to refund the Series EE and HH Bonds. As a result of this refunding, the Corporation has no liabilities remaining under the First General Bond Resolution, and it has covenanted with the Series B bondholders not to issue additional First General Bond Resolution obligations. Therefore, there is no reserve fund under the First General Bond Resolution.

At June 30, 1992, the Second General Bond Resolution Capital Reserve Fund balance was \$559.4 million and the 1991 General Bond Resolution Bond Reserve Fund was \$111.6 million. At December 31, 1992, the Second General Bond Resolution Capital Reserve Fund balance was \$554.8 million and the 1991 General Bond Resolution Bond Reserve Fund balance was \$114.1 million. Such amounts exceeded the required funding levels.

**NOTE 5—Operating Fund:**

The Operating Fund provides for the expenses of carrying out the Corporation's duties and functions and is funded from the Municipal Assistance Tax Fund. The Operating Fund accounts have been prepared on the accrual basis of accounting. The Corporation's administrative expenses are charged to the Operating Fund as incurred. The assets of the Operating Fund at June 30, 1992 included approximately \$2,688,000 of securities purchased under agreements to resell, which approximates market value. The assets at December 31, 1992 included approximately \$495,500 of investments in marketable securities and \$2,606,000 of securities purchased under agreements to resell, respectively, which approximate market value.

**NOTE 6—City of New York Obligations Held by the Corporation:**

Between October 1980 and June 1987, the Corporation acquired bonds of the City, as part of a program to provide for a significant portion of the City's capital financing requirements, by using the net proceeds of certain of the Corporation's debt issuances to purchase City bonds with similar



# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS -- (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

maturities. Prior to October 1980, the Corporation had acquired bonds of the City in connection with certain other transactions. City bonds owned by the Corporation are callable at par at any time by the City and may not be sold without the consent of the City and accordingly are carried at cost.

At June 30, 1992 and December 31, 1992, the Corporation held \$1,393.5 million and \$1,278.9 million, respectively, principal amount of City bonds. The City obligations held at June 30, 1992 bear interest at rates ranging from 7.0% to 13.6% and will mature on September 15 in each year as shown below:

<u>Year</u>	<u>Amount Maturing</u> (In Thousands)
1992 .....	\$ 114,609
1993 .....	112,876
1994 .....	122,983
1995 .....	121,381
1996 .....	104,500
1997 .....	106,684
1998-2002 .....	426,301
2003-2007 .....	<u>284,190</u>
	<u>\$1,393,524</u>

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

### NOTE 7 -- Commitments:

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 to the City of New York during the 1987 through 1995 fiscal years. Revenues made available pursuant to this agreement are determinable at the close of the Corporation's fiscal year. As of June 30, 1992, the Corporation made available \$1.1 billion of these revenues, including \$75 million made available during fiscal 1992 for City operations which had previously been earmarked for the New York City Transit Authority capital program.

On May 16, 1989, the Corporation entered into an agreement with the State and City to make available \$750 million of additional revenues to the City during the 1990 through 1997 fiscal years. These revenues are in addition to those to be provided by the April 1986 agreement. Revenues made available pursuant to this agreement are determinable at the close of the Corporation's fiscal year. As of June 30, 1992, the Corporation made available \$358 million of these revenues, including \$75 million made available during fiscal 1992 for City operations which had previously been earmarked for the New York City School Construction Authority capital program.

On July 19, 1990, the Corporation, the State and the City entered into a new memorandum of agreement amending the agreements executed on April 2, 1986 and May 16, 1989. Under the new agreement, the Corporation will make available for City operations over the 1990 through 1997 fiscal years \$1.465 billion of its excess revenues which previously had been committed to the capital programs of the New York City Transit Authority and the New York City School Construction Authority. The new agreement further provides that these capital programs will be funded in accordance with the schedules set forth in the 1986 and 1989 agreements with proceeds of the City's or the Corporation's debt. As of June 30, 1992 and December 31, 1992, the Corporation has been advised that the City had funded \$440 million, respectively, of these programs.

# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS — (Continued)

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

The Corporation is required to reimburse the State of New York for an allocable share of costs attributable to the provision of central governmental services pursuant to legislation enacted in 1989. Costs allocable to the Corporation are based on the lesser of the total amount of expenses incurred during the State's fiscal year in the provision of these services or a pro-rata share of \$20.0 million. The Corporation's pro-rata share is determined based upon the proportion of its outstanding bonds to the total outstanding debt, consisting of bonds, notes and other obligations, of all public benefit corporations covered by the legislation. The Corporation's estimated allocable share of cost for the State's 1993 fiscal year is \$3.0 million. The Corporation is also required to pay the State of New York a bond issuance charge upon the issuance of any bonds, notes or other obligations in an amount determined pursuant to statute. During the fiscal year ended June 30, 1992, such charges amounted to approximately \$1,332,000. Such amounts are included in the Operating Fund's Statement of Transactions as part of State Cost Recovery Assessment.

Under the Internal Revenue Code of 1986 (the "Code"), the Corporation is required to rebate to the United States any excess earnings from the investment of the proceeds of the bonds issued after August 31, 1986 over the yield on each such issue. Under the Code and regulations issued by the Department of the Treasury on May 18, 1992 (the "Regulations"), the Corporation will be required to pay any such excess earnings within 60 days of the end of the fifth year following issuance and each succeeding fifth year for each affected issue, with a final payment required to be made within 60 days of retirement, maturity or redemption of each such issue. The Corporation's estimated federal rebate requirement as of June 30, 1992 was approximately \$5.5 million.

The Corporation agreed in 1976 to reimburse the Financial Control Board for a portion of the cost of providing certain oversight services of the City's financial affairs. The Corporation expects to reimburse the Financial Control Board an estimated \$2.1 million in fiscal year 1993.

State legislation passed in 1992 requires the Corporation to reimburse the Office of the State Comptroller for certain of the operating costs of the Office of the State Deputy Comptroller for New York City relating to its financial oversight responsibilities in its 1993 fiscal year in an amount of \$2,662,200.

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

**NOTES TO FINANCIAL STATEMENTS – (Continued)**

(All data relating to December 31, 1992 and the six-month period then ended are unaudited)

**NOTE 8 – Investments in Marketable and other Securities:**

	(In Thousands)			December 31, 1992 Cost**
	Principal	June 30, 1992 Market	Cost	
<b>Marketable Securities:</b>				
<b>Debt Service Fund</b>				
Obligations Maturing in Less than One Year				
U.S. Treasury .....	\$305,945	\$307,851	\$308,363	\$384,358
One to Five Years				
U.S. Treasury .....	<u>89,900</u>	<u>92,653</u>	<u>92,157</u>	<u>-0-</u>
Total .....	<u>\$395,845</u>	<u>\$400,504</u>	400,520	384,358
Less:				
Unrealized Loss .....			(16)	(2,641)
Total .....			<u>\$400,504</u>	<u>\$381,717</u>
<b>Second Capital Reserve Fund</b>				
Obligations Maturing in Less than One Year				
U.S. Treasury .....	\$ 13,503	\$ 13,561	\$ 13,497	\$189,282
One to Five Years				
U.S. Treasury .....	451,514	460,719	444,427	253,752
Over Five Years				
U.S. Treasury .....	<u>188,778</u>	<u>91,071</u>	<u>95,652</u>	<u>105,975</u>
Total .....	<u>\$653,795</u>	<u>\$565,351</u>	<u>\$553,576</u>	<u>\$549,009</u>
<b>1991 Bond Reserve Fund</b>				
Obligations Maturing in Less than One Year				
U.S. Treasury .....	\$ 36,007	\$ 36,750	\$ 36,449	\$ 99,497
One to Five Years				
U.S. Treasury .....	<u>63,535</u>	<u>66,406</u>	<u>64,327</u>	<u>4,021</u>
Total .....	<u>\$ 99,542</u>	<u>\$103,156</u>	<u>\$100,776</u>	<u>\$103,518</u>
<b>Other Securities:</b>				
<b>1991 Bond Reserve Fund</b>				
Obligation Maturing in One to Five Years				
State and Local Government Series* .....	\$ 7,391	\$ 7,391	\$ 7,391	\$ 7,391
Total .....	<u>\$ 7,391</u>	<u>\$ 7,391</u>	<u>\$ 7,391</u>	<u>\$ 7,391</u>

\* Such securities cannot be sold on the open market and can only be redeemed prior to maturity at a price imposed by the U.S. Treasury.

\*\* Market values of securities held in the Debt Service, Second Capital Reserve and 1991 Bond Reserve Funds at December 31, 1992 were \$381.717, \$565.182 and \$104.971 million, respectively.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**SUMMARY OF ANNUAL PRINCIPAL PAYMENTS BY FISCAL YEAR**

June 30, 1992

(In Thousands)

FY Ending 6/30	Second General Bond Resolution Total Principal*	1991 General Bond Resolution Total Principal*	Total Principal*
	\$ -0-	\$143,955	\$ 143,955
1993 .....	158,335	229,440	387,775
1994 .....	170,400	13,940	184,340
1995 .....	184,185	5,750	189,935
1996 .....	185,490	6,155	191,645
1997 .....	262,150	6,590	268,740
1998 .....	291,865	7,060	298,925
1999 .....	331,025	7,560	338,585
2000 .....	288,735	8,100	296,835
2001 .....	309,490	8,680	318,170
2002 .....	331,890	9,305	341,195
2003 .....	356,100	9,985	366,085
2004 .....	382,170	10,735	392,905
2005 .....	410,170	11,435	421,605
2006 .....	440,205	12,185	452,390
2007 .....	472,485	13,040	485,525
2008 .....	506,280	13,945	520,225
2009 .....	<u>5,080,975</u>	<u>517,860</u>	<u>5,598,835</u>
Total .....			

\* Excludes refunded bonds and gives effect to the Second General Bond Resolution payment of \$257.1 million on July 1, 1992.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS**

June 30, 1992

(In Thousands)

FY ending 6/30	Second General Bond Resolution Total Principal and Interest*	1991 General Bond Resolution Total Principal and Interest*	Total Principal and Interest*
1993 .....	\$ 510,172	\$236,268	\$ 746,440
1994 .....	511,695	89,453	601,148
1995 .....	513,796	13,779	527,575
1996 .....	502,503	13,832	516,335
1997 .....	565,273	13,883	579,156
1998 .....	576,915	13,935	590,850
1999 .....	595,385	13,981	609,366
2000 .....	530,758	14,026	544,784
2001 .....	530,809	14,068	544,877
2002 .....	530,820	14,109	544,929
2003 .....	530,855	14,162	545,017
2004 .....	530,871	14,254	545,125
2005 .....	530,859	14,300	545,159
2006 .....	530,815	14,352	545,167
2007 .....	531,004	14,464	545,468
2008 .....	531,484	14,573	546,057
Total .....	<u>\$8,554,014</u>	<u>\$523,439</u>	<u>\$9,077,453</u>

\* Excludes refunded bonds.

**MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK**  
**SUMMARY OF ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS**

June 30, 1992

(In Thousands)

FY ending 6/30	Second General Bond Resolution*	1991 General Bond Resolution	Total Debt Service on Bonds Outstanding*	Estimated Coverage Ratios†	
				Second Resolution Bonds	1991 Resolution Bonds
1993 .....	\$ 620,809**	\$165,085***	\$ 785,894	7.94	26.10
1994 .....	507,607	245,467	753,074	9.71	18.01
1995 .....	508,847	22,396	531,243	9.69	197.36
1996 .....	510,655	13,693	524,348	9.65	322.67
1997 .....	499,328	13,738	513,066	9.87	322.44
1998 .....	560,908	13,781	574,689	8.79	316.96
1999 .....	571,937	13,824	585,761	8.62	315.18
2000 .....	589,630	13,860	603,490	8.36	313.09
2001 .....	525,686	13,894	539,580	9.38	316.92
2002 .....	525,322	13,925	539,247	9.38	316.24
2003 .....	524,893	13,955	538,848	9.39	315.59
2004 .....	524,463	13,996	538,459	9.40	314.70
2005 .....	523,995	14,093	538,088	9.41	312.57
2006 .....	523,475	14,128	537,603	9.42	311.83
2007 .....	522,887	14,170	537,057	9.43	310.95
2008 .....	522,700	14,268	536,968	9.43	308.82
2009 .....	523,083	14,363	537,446	9.42	306.75
Total .....	<u>\$9,086,225</u>	<u>\$628,636</u>	<u>\$9,714,861</u>		

† Estimated coverage ratios on Second Resolution Bonds are based upon New York State Sales Tax, Stock Transfer Tax and Per Capita Aid Revenues for the twelve months ended June 30, 1992, reduced by Operating Expenses of \$13.4 million, divided by debt service on Second Resolution Bonds. Estimated coverage ratios on the 1991 Resolution Bonds are based upon all revenues, reduced by debt service on Second Resolution Bonds and Operating Expenses, divided by debt service on the 1991 Resolution Bonds. All revenues for the twelve months ended June 30, 1992, include \$4,465.5 million combined New York State Sales and Stock Transfer Tax and \$476.9 million (exclusive of \$58.1 million of potential prior claims) in Per Capita Aid.

\* Excludes refunded bonds.

\*\* Includes \$443.6 million, which was paid in July 1, 1992, as debt service payment on Second General Resolution Bonds.

\*\*\* Includes \$5.5 million, which was paid on July 1, 1992 as debt service payment on 1991 General Resolution Bonds.

LAW OFFICES

## ORRICK, HERRINGTON &amp; SUTCLIFFE

599 LEXINGTON AVENUE  
 NEW YORK, NEW YORK 10022  
 TELEPHONE (212) 326-8800  
 TELECOPIER (212) 326-8900

SAN FRANCISCO, CALIFORNIA 94111  
 400 SANSOME STREET  
 TELEPHONE (415) 392-1122

SACRAMENTO, CALIFORNIA 95814  
 555 CAPITOL MALL  
 TELEPHONE (916) 447-9200

LOS ANGELES, CALIFORNIA 90017  
 777 SOUTH FIGUEROA STREET  
 TELEPHONE (213) 629-2020

March , 1993

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

Dear Sirs:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ aggregate principal amount of Series C Bonds (the "Series C Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the "Act").

The Series C Bonds are authorized and issued under and pursuant to the Act and the 1991 General Bond Resolution of the Corporation, adopted February 6, 1991, as amended and supplemented to the date hereof (the "1991 General Bond Resolution"), and the Series C Resolution, adopted March 4, 1993 (the "Series Resolution"). The 1991 General Bond Resolution and the Series Resolution are herein collectively called the "Resolutions."

The Series C Bonds are part of an issue of bonds of the Corporation (the "Bonds") which the Corporation has established and created under the terms of the 1991 General Bond Resolution and is authorized to issue from time to time for the corporate purposes of the Corporation authorized by the Act, as then in effect and without limitation as to amount except as provided in the Resolutions and certain agreements of the Corporation or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation, including the Series C Bonds, to limit the issuance of additional bonds, including a covenant with the owners of the Series C Bonds not to issue any additional bonds under the First General Bond Resolution (as defined in the 1991 General Bond Resolution). The Series C Bonds are being issued for the purposes set forth in the Series Resolution.

The Corporation is authorized to issue Bonds in addition to the Series C Bonds and to all other such Bonds theretofore issued, only upon the terms and conditions set forth in the 1991 General Bond Resolution and such Bonds, when issued, shall, with the Series C Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the 1991 General Bond Resolution.

The Series C Bonds are dated March 1, 1993, except as otherwise provided in the Resolutions with respect to certain registered Series C Bonds issued on or after the first interest payment date, will mature on each of the dates and will bear interest at the rates and in the manner provided in the Resolutions.

The Series C Bonds are issued only in fully registered form in the denomination of \$5,000 or any integral multiple thereof. Series C Bonds are lettered and number CR-followed by the month and the last two digits of the year of maturity and by the number of the Series C Bond.

Certain of the Series C Bonds will be subject to redemption prior to maturity in the manner provided in the Resolutions.

Chapter 168, 169, 868 and 870 of the Laws of 1975, as amended to the date hereof, each enacted by the People of the State, represented in Senate and Assembly of the State and signed into law by the Governor of the State (the "Enabling Legislation") provide for, among other things, the insertion of the Act in the Public Authorities Law, creating the Corporation as aforesaid, adding a new section 92-e to Article 6 of the State Finance Law, constituting Chapter 56 of such Consolidated Laws, establishing a municipal assistance aid fund (the "Aid Assistance Fund") and a special account for the Corporation within the Aid Assistance Fund (the "Special Aid Account"), amending section 54 of the State Finance Law to provide for the apportionment and payment into the Special Aid Account of amounts of per capita aid appropriated by the Legislature of the State and otherwise payable out of the General Fund of the State to The City of New York, New York ("The City") thereunder subject to payments being made as follows: (i) any amounts required to be paid to the City University Construction Fund pursuant to the City University Construction Fund Act, Article 125-B of the Education Law, constituting Chapter 16 of such Consolidated Laws; (ii) any amounts required to be paid to the New York City Housing Development Corporation pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 41 of such Consolidated Laws; (iii) any amounts required to be paid by The City to the New York City Transit Authority pursuant to the provisions of chapter seven of the laws of the State of nineteen hundred seventy-two; (iv) any amounts required to be paid by The City to the State to repay an advance made in 1974 to subsidize the fare of the New York City Transit Authority; and (v) five hundred thousand dollars to the chief fiscal officer of The City for payment to the trustees of the police pension fund of such City pursuant to the provisions of paragraph c of subdivision 7 of such section 54 of the State Finance Law, suspending the power of The City to adopt local laws for the imposition of certain sales and compensating use taxes pursuant to sections 1210 and 1212-A of Article 29 of the Tax Law, constituting Chapter 60 of such Consolidated Laws, and the taxes imposed pursuant to said sections, until all notes and bonds of the Corporation, including the Series C Bonds, and interest thereon have been fully paid and discharged, adding a new section 92-d to Article 6 of the State Finance Law establishing a municipal assistance tax fund (the "Tax Assistance Fund") and a special account for the Corporation within the Tax Assistance Fund (the "Special Tax Account"), and adding a new section 1107 to Article 28 of said Tax Law imposing sales and compensating use taxes in The City at a rate of four percent (4%) on certain items therein described and at a rate of six percent (6%) on the sale of certain parking services (the "Sales Tax"), the revenues derived from which, less such amounts as the Commissioner of Taxation and Finance determines to be necessary for reasonable costs in administering, collecting and distributing such taxes, are required to be paid into the Special Tax Account, together with, after deducting such costs, such amounts, as may be required under the Enabling Legislation to be transferred from the Stock Transfer Tax Fund established by section 92-b of Article 6 of said State Finance Law, into which the revenues derived from a tax imposed by Article 12 of the Tax Law (the "Stock Transfer Tax") are deposited.

Certain requirements and procedures contained or referred to in the documents relating to the Series C Bonds may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, in connection with which the advice or approving opinion of nationally recognized bond counsel would be required. We express no opinion as to any Series C Bonds or the interest thereon with respect to federal tax matters if any such change occurs or action is taken or omitted without such advice or approval or upon the advice or approval of bond counsel other than ourselves.

The Internal Revenue Code of 1986 (the "Code") establishes certain restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on the Series C Bonds, including those that must be met subsequent to the issuance and delivery of the Series C Bonds in order that interest on the Series C Bonds be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. We have assumed compliance with all covenants and agreements contained in the Arbitrage and Use of Proceeds Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that



future actions, omissions or events will not cause interest on the Series C Bonds to be included in gross income for federal income tax purposes. Noncompliance by the Corporation with such agreements and covenants may require inclusion in gross income of interest on the Series C Bonds retroactive to the date of issuance of the Series C Bonds, regardless of when such noncompliance occurs. In examining the documents and matters referred to above, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein. The opinions expressed herein may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur, and we disclaim any obligation to update this letter.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover matters not directly addressed by such authorities.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Corporation is duly created and validly exists as a corporate governmental agency and instrumentality of the State constituting a public benefit corporation under the laws of the State, including the Constitution of the State and the Act, with the good right and lawful authority and power to adopt the Resolutions, to issue the Bonds including the Series C Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series C Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.
2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the 1991 General Bond Resolution and is authorized and permitted by the 1991 General Bond Resolution. The Resolutions have been duly and lawfully adopted by the Corporation and both are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except for the covenant on behalf of the State required to be set forth in each Series C Bond pursuant to Chapter 201 of the Laws of New York of 1978 (the "State Covenant") as to which a separate opinion has been rendered on the date hereof, and no other authorization for the Resolutions is required. The Resolutions create the valid pledge and lien which they purport to create of the revenues, moneys, securities and funds held or set aside under the Resolutions, subject only to the application thereof to the purposes and on the conditions permitted by the Resolutions. The lien created by the Resolutions on such revenues, moneys, securities and funds in the Bond Payment Fund and the Bond Reserve Fund is and will be prior to all other liens thereon. All revenues, moneys and securities, as and when received, in the Bond Payment Fund and the Bond Reserve Fund in accordance with the Resolutions, will be validly subject to the pledge and lien created by the Resolutions.
3. The Series C Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The Series C Bonds are valid and binding general obligations of the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms, respectively, and the terms of the Resolutions, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally, and, except as otherwise set forth with respect to the State Covenant as to which a separate opinion has been rendered as aforesaid, are entitled, together with additional Bonds issued under the 1991 General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the 1991 General Bond Resolution and of the Act.
4. Pursuant to the Act and the 1991 General Bond Resolution, the Corporation has validly covenanted that the Chairman of the Corporation shall certify to the State Comptroller and the Mayor of The City, the amounts required, pursuant to subdivision 1 of Section 3036, of Section 3036-a and of Section 3036-b of the Act, for deposit in the funds established by the 1991 General Bond Resolution at the time or times and in the manner provided therein, including the amounts required for deposit in the Bond Payment Fund to pay all interest and all principal and redemption premium, if any, on bonds maturing or otherwise coming due and for deposit in the Bond Reserve Fund to maintain such funds at

their requirements. Such subdivisions provide for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the source of such payments being the Aid Assistance Fund into which is paid such per capita aid, subject to certain prior claims as described above, and, to the extent required, subject to the prior claim of the holders of obligations of the Corporation issued or to be issued pursuant to the Second General Bond Resolution (as such term is defined in the 1991 General Bond Resolution), the Tax Assistance Fund into which is paid the Sales Tax, and to the extent required, out of the Stock Transfer Tax Fund, the Stock Transfer Tax. The amount of per capita aid payable to The City and available for apportionment and payment from the General Fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds to the Corporation are subject to annual appropriation for such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate any such amounts so certified by the Chairman, as aforesaid.

5. The Series C Bonds do not constitute a debt either of the State or of The City, and neither the State nor The City shall be liable thereon, nor shall the Series C Bonds be payable out of any funds other than those of the Corporation.

6. The State has the good right and lawful authority:

(a) to provide for the appropriation of, and at least annually to appropriate out of the General Fund of the State, amounts for the purpose of per capita aid and to provide, with respect to certain amounts of such per capita aid payable to The City in accordance with the provisions of section 54 of the State Finance Law, for the apportionment and payment into the Special Aid Account of amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make any, or maintain any level of, such appropriation of per capita aid or to continue such procedure for apportionment and payment of such aid;

(b) to provide for the appropriation of, and at least annually to appropriate to the Corporation, from the Special Tax Account and from the Stock Transfer Tax Fund, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations;

(c) to suspend the power of The City to adopt local laws for the imposition of certain sales and compensating use taxes and the taxes levied thereunder, in accordance with the Enabling Legislation;

(d) to impose and to increase or decrease the Sales Tax and the Stock transfer Tax, but the State is not bound or obligated to continue the imposition of said taxes; and

(e) to establish the Aid Assistance Fund and the Special Aid Account within the Aid Assistance Fund, the Stock Transfer Tax Fund, the Tax Assistance Fund and the Special Tax Account within the Tax Assistance Fund, but the State is not bound or obligated to maintain the existence of said funds or accounts.

7. The Corporation, the owners of the Bonds, owners of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the per capita aid referred to hereinbefore or the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding (whether under Chapter 9 of the Federal Bankruptcy Code or otherwise) wherein a creditor of The City or The City seeks to assert a right to any such Taxes, such Stock Transfer Tax Fund or such Special Accounts superior or equal to the rights of owners of Bonds issued under the 1991 General Bond Resolution, neither The City nor such creditor will prevail in the court of final jurisdiction.

8. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance Fund, including the Special Tax Account therein (each such account or fund as presently constituted being a special fund of the State), would not constitute revenues applicable to the General

Fund of the State and hence neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special Tax Account and the Stock Transfer Tax Fund, do not constitute revenues applicable to the General Fund of the State and hence such collections would likewise not be authorized or mandated to be set apart or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State and hence, in the event of a failure to appropriate as above described, revenues of the State, otherwise applicable to the General Fund and therefore available for appropriation as per capita aid, will be subject to being set apart or applied as aforesaid.

9. Interest on the Series C Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes pursuant to Section 103 of the Code and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City). In addition, such interest is not a specific preference item for purposes of the individual or corporate federal alternative minimum taxes, although we observe that interest on the Series C Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series C Bonds.

10. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the Series C Bonds.

11. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the Series C Bonds, and the execution and delivery of the Series C Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined an executed Series C Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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LAW OFFICES

**ORRICK, HERRINGTON & SUTCLIFFE**

599 LEXINGTON AVENUE  
NEW YORK, NEW YORK 10022  
TELEPHONE (212) 326-8800  
TELECOPIER (212) 326-8900

SAN FRANCISCO, CALIFORNIA 94111  
400 SANSOME STREET  
TELEPHONE (415) 392-1122

SACRAMENTO, CALIFORNIA 95814  
555 CAPITOL MALL  
TELEPHONE (916) 447-9200

LOS ANGELES, CALIFORNIA 90017  
777 SOUTH FIGUEROA STREET  
TELEPHONE (213) 629-2020

March , 1993

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

Dear Sirs:

The Corporation now has outstanding an aggregate principal amount of \$123,750,000 Series 56 Bonds issued pursuant to the Second General Bond Resolution of the Corporation adopted on November 25, 1975, as amended and supplemented to the date hereof (the "Second General Bond Resolution") and pursuant to related Series Resolutions (the "Refunded Bonds"). In accordance with the provisions of Article XIV of the Second General Bond Resolution, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York (the "Trustee," as such term is defined in the Second General Bond Resolution), the principal of and interest on which, when due, together with other available moneys deposited with the Trustee will provide moneys sufficient to pay, when due, the Redemption Price of, and interest until the redemption date on, the Refunded Bonds.

The Corporation has directed the Trustee to redeem or otherwise pay the Refunded Bonds as follows: (i) the principal of and interest on the Refunded Bonds maturing on July 1, 1994 and July 1, 1995 in the aggregate principal amount of \$8,710,000 will be paid when due, and (ii) on July 1, 1996, the Refunded Bonds maturing on and after July 1, 1996 will be redeemed at a redemption price (expressed as a percentage of the principal amount) of 102%.

Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the Refunded Bonds in accordance with the provisions of such Article XIV of the Second General Bond Resolution.

Very truly yours,

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