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April 3, 1978

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for The City of New York
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New York, New York

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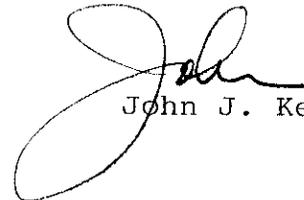
Re: Municipal Assistance Corporation
for The City of New York - Draft
Note Resolution
M78/001

Dear Steve and Marschall:

Attached hereto for your light reading pleasure are copies of the draft proposed note resolution. They have not been proofed.

I look forward to meeting with you.

Yours truly,



John J. Keohane

JJK/cv

Attachment

NOTE RESOLUTION OF THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK AUTHORIZING THE ISSUANCE OF
§ PROMISSORY NOTES, SERIES 1978-1

Be it Resolved by the Board of Directors of the
Municipal Assistance Corporation For The City of New York
as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 101. Short Title. This resolution may
hereafter be cited by the Corporation, and is hereinafter
sometimes referred to, as the "Note Resolution".

Section 102. Definitions. In this Note Resolution
unless a different meaning clearly appears from the context:

(1) Articles and Sections mentioned by number only
are the respective Articles and Sections of the Note
Resolution so numbered;

(2) "Act" shall mean the New York State Municipal
Assistance Corporation Act, as amended by the Municipal
Assistance Corporation for the City of New York Act,
said Acts being Titles I, II and III of Article 10 of the
Public Authorities Law, both as amended to the date of
adoption of this Note Resolution;

(3) "Authorized Officer" means any member of the
Corporation, its Treasurer, Secretary, any Assistant
Secretary, its Executive Director, Deputy Executive
Director and any other person authorized by resolution
of the Corporation to perform the act or sign the docu-
ment in question;

(4) "Bond Resolutions" means the General Bond Resolution of the Corporation adopted July 2, 1975, and the Second General Bond Resolution of the Corporation adopted November 25, 1975, both as may be amended or supplemented by supplemental resolutions or series resolutions heretofore or hereafter adopted;

(5) The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to the Note Resolution, and the term "hereafter" means after the date of adoption of the Note Resolution;

(6) "Note" means the Promissory Notes of the Corporation particularly authorized by Section 301;

(7) "Note Fund" means the fund established pursuant to Section 401;

(8) "Note Repayment Fund" means the fund established pursuant to Section 404;

(9) "Noteholder", or the term "holder" or any similar term, when used with reference to the Note, means the party or person who shall be the bearer of any Note registered to bearer or not registered or if registered to other than bearer the registered owner of any Note;

(10) "Note Purchase Agreement" means the Note Purchase Agreement by and between the Corporation and the purchasers named therein dated as of _____ ;

(11) "Paying Agent" means the bank, trust company or other corporation named in Section 702;

(12) "Short Term Obligations" shall mean tax anticipation notes, revenue anticipation notes, bond anticipation notes, budget notes and urban renewal notes of the City;

(13) Words importing the singular number include the plural number and vice versa and words importing persons include firms, associations and corporations.

ARTICLE II

OBLIGATION OF THE NOTE RESOLUTION AND NOTE

Section 201. Authority for Note Resolution. The Note Resolution is adopted pursuant to the provisions of the Act.

Section 202. Note Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Notes by the Noteholder who shall hold the same from time to time, the provisions of the Note Resolution shall be a part of the contract of the Corporation with such holder and shall be deemed to be and shall constitute a contract between the Corporation and such holder from time to time of a Note, and such provisions are covenants and agreements with such holder which the Corporation hereby determines to be necessary and desirable for the security and payment thereof.

The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of any of the holders of any and all of the Notes and any other short-term obligation of the Corporation issued on a parity as to security for and source of payment of the Notes pursuant to the provisions of Section 501 hereof and under and pursuant to the Act, all of which shall be of equal rank without preference, priority or distinction of any of the Notes over any other thereof.

Section 203. Obligation of Notes. The Notes shall be a direct and general obligation of the Corporation, and the full

faith and credit of the Corporation are hereby pledged to the payment of the principal of and interest on the Notes. Nothing herein or in the Notes shall be construed to create a charge or lien or right prior or equal to the charge or lien created by the Bond Resolutions and the Act, or prior or equal to the rights of the holders of any Bonds, Notes or Other Obligations (as such terms are defined in the General Bond Resolution of the Corporation adopted July 2, 1975, as amended) or Bonds (as such term is defined in the Second General Bond Resolution of the Corporation adopted November 25, 1975, as amended) issued or to be issued under the Bond Resolutions or with respect to monies pledged under the Bond Resolutions or with respect to proceeds from the Sales Tax or the Stock Transfer Tax or the Per Capita Aid (as such terms are defined in the Bond Resolutions) to be apportioned and paid to the Corporation in accordance with the Act. The Corporation reserves the right to issue evidences of indebtedness other than such Bonds, Notes, Other Obligations or Bonds under other separate resolutions payable from such Sales Tax, Stock Transfer Tax or Per Capita Aid provided that the right to payment of the holders of such evidences of indebtedness shall be subordinate to the rights of the Holders of the Notes to be paid the principal of and interest on such Notes. The Corporation reserves the right to issue other evidences of indebtedness payable from sources other than as set forth in the prior sentence the holders of which may have a right to payment from such sources prior to

the rights of the Holders of the Notes to be paid the principal of and interest on such Notes from such sources.

Section 204. Purposes. The Notes are being issued for either or both of the following purposes, which purposes are purposes authorized by the Act;

(a) Payment to the City of the amount required by the City to enable it to pay, at maturity, the principal of and interest on any Short Term Obligation, as hereinafter provided; and

(b) Payment to the City of the amount required by the City to enable it to pay operating expenses of the City, as hereinafter provided.

ARTICLE III

AUTHORIZATION OF THE BONDS AND TERMS THEREOF

Section 301. Authorization of Issue of Notes.

Promissory Notes of the Corporation in the aggregate principal amount of \$ _____ are hereby authorized to be issued, subject to the terms, conditions and limitations provided or referred to herein. The Notes being issued are not Bonds, Notes or Other Obligations within the meaning of the Bond Resolutions. The Notes shall not be a debt of either the State or the City, and neither the State nor the City shall be liable thereon, nor shall they be payable out of any funds other than those of the Corporation; and the Notes shall contain on the face thereof a statement to such effect.

Section 302. General Terms of the Notes. The Notes shall be dated _____, shall be payable to the holders thereof shall be payable as to both principal and interest at the principal office of the Paying Agent and shall be numbered, mature and become due in the denominations set forth hereinafter:

<u>Number</u>	<u>Denomination</u>	<u>Maturity Date</u>
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The Notes shall bear interest payable at maturity [if one year notes, may provide for 6 months coupons if desired] at the rate of _____ per centum (%) per annum. The Notes shall be

executed in the name of the Corporation by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon and attested by the manual signature of its Secretary or an Assistant Secretary.

Section 303. Form of the Notes. Subject to the provisions of the Note Resolution, the Notes shall be in substantially the following form, with such insertions or omissions, endorsements and variations as are not inconsistent with the Note Resolution:

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

% PROMISSORY NOTE

DUE

19

No.

\$

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK (herein called the "Corporation"), a corporate governmental agency and instrumentality of the State of New York, for value received, hereby promises to pay to

or its registered assigns on

upon presentation and surrender of this note at the principal office of United States Trust Company of New York, New York, the principal sum of _____ Dollars

(\$ _____) in immediately available funds, and to pay interest on said principal sum at said office in like funds at the rate of _____ % per annum, payable at maturity [unless coupons used].

These Notes are direct and general obligations of the Corporation and the full faith and credit of the Corporation are pledged to the payment of the principal of and interest on the Note. The Note is issued under and pursuant to the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, said 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 of New York, as amended (herein called the "Act"), and under and pursuant to a resolution of the Corporation, adopted _____ entitled "Note Resolution of The Muncicipal Assistance Corporation For The City of New York Authorizing the issuance of \$ _____ Promissory Notes, 1978 Series 1" (herein called the "Resolution") and is entitled to the benefits and subject to the terms and conditions of the Resolution. Nothing in the Resolution or in the Note shall be construed to create a charge or lien or right prior or equal to the charge or lien created by the Bond Resolutions (as defined in the Resolution) and the Act, or prior or equal to the rights of the holders of any Bonds, Notes or Other Obligations (as such terms are defined in the General Bond Resolution of the Corporation adopted July 2, 1975) or Bonds (as such term is defined in the Second General Bond Resolution of the Corporation adopted November 25, 1975) issued or to be issued under the Bond Resolutions

or with respect to moneys pledged under the Bond Resolutions or with respect to proceeds from the Sales Tax or the Stock Transfer Tax or the Per Capita Aid (each as defined in either of the Bond Resolutions). The Corporation has agreed in the Resolution to not issue any evidences of indebtedness other than such Bonds, Notes, Other Obligations or Bonds having a charge, lien or right of payment prior to that of the holders of the Notes from the Sales Tax, Stock Transfer Tax or Per Capita Aid. The provisions, covenants and agreements set forth in the Resolution to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of any of the holders of any and all of the Notes and any other short-term obligation of the Corporation issued on a parity as to security for and source of payment of the Notes under and pursuant to the Act, all of which shall be of equal rank without preference, priority or distinction of any of the Notes or such short-term obligations over any other thereof. The Corporation reserves the right to issue other evidences of indebtedness under other separate resolutions, payable from sources other than Sales Tax, Stock Transfer Tax or Per Capita Aid prior to the Notes or such short-term obligations. The Notes are entitled to the pledge created by Article IV of the Resolution and other provisions relating thereto. A copy of the Resolution is on file at the principal office of the Corporation.

The Notes shall not be debts of either the State or the City, and neither the State nor the City shall be liable thereon, nor shall they be payable out of any funds other than those of the Corporation.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed and that the issue of the Note, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by the laws of the State of New York.

IN WITNESS WHEREOF, MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK has caused this Note to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual signature of its Secretary or and Assistant Secretary, as of the day of .

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Attest:

Secretary

By _____
Chairman

(Reverse Side of Note)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto _____ the within Note of MUNICIPAL ASSISTANCE CORPORATION FOR THE

CITY OF NEW YORK, and does hereby irrevocably constitute and appoint _____ Attorney to transfer the said Note on the books of the within named Corporation maintained at the office of the Paying Agent with full power of substitution in the premises.

Dated: _____

In the presence of:

ARTICLE IV

ESTABLISHMENT OF TERMS

Section 401. Establishment of the Note Fund.

There is hereby established the Note Fund to be held and maintained by the Corporation. There shall be deposited into the Note Fund the proceeds of the sale of the Note.

Section 402. Payments from the Note Fund. Monies on deposit in the Note Fund may be withdrawn by an Authorized Officer for the following purposes:

(a) Payment to the City of the amount required by the City to enable it to pay, at maturity, the principal of and interest on any Short Term Obligation, as certified to the Corporation by the Mayor, a copy of which certification shall be attached to said written order; and

(b) Payment to the City of the amount required by the City to enable it to pay operating expenses of the City, as certified to the Corporation by the Mayor, and upon the receipt by the Corporation of Short Term Obligations, if required by the Act as then in effect;

provided however, that pending expenditure of the monies as herein directed, such monies may be invested upon direction of the Corporation in writing, signed by an Authorized Officer (which direction shall specify the amount thereof to be so invested and the Corporation in issuing such direction shall take into consideration the dates and times when

moneys in such Note Fund will be required for the purposes of this Note Resolution) in (a) direct obligations of the United States of America, direct obligations of the State of New York (the "State") or obligations the principal and interest of which are guaranteed by the United States of America or the State, (b) any bond, debenture, note, participation or other similar obligation issued by any of the following Federal agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, Farmers' Home Administration and Export-Import Bank, (c) if permitted by law, any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association, and (d) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State of New York or held in the State treasury or in lieu of investment in any such obligation, or may be deposited in interest-bearing time deposits or may be invested through the means of any other similar investment arrangement including, but not limited to, repurchase agreements covering obligations of issuers enumerated as authorized for investments with a member bank or banks of the Federal Reserve System or banks the deposits of which are

insured by the Federal Deposit Insurance Corporation or securities dealers approved by an Authorized Officer; provided, that each such interest-bearing time deposit or other similar investment arrangement shall permit the monies so placed to be available for use at the times provided with respect to the investment or reinvestment of such monies; and provided further, that all monies in each such interest-bearing time deposit or other similar investment arrangement shall be continuously and fully secured by obligations of issuers enumerated as authorized for investments hereinbefore, of a market value equal at all times to the amount of the deposit or of the other similar investment arrangement.

No part of the proceeds of sale of any Notes shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Note to be an "arbitrage bond" as defined in subsection (d)(2) of Section 103 of the Internal Revenue Code of 1954 [Title 26 of the United States Code] as then in effect and to be subject to treatment under subsection (d)(1) of said section as an obligation not described in subsection (a) of said section.

Any person executing any such investment as agent of the Corporation shall not be liable or responsible for the making of any investment authorized by the provisions of this Section 402, in the manner provided in this Section 402, or for any loss resulting from any such investment.

Section 403. Pledge Effective by the Resolution.

There is hereby pledged, for the payment of the principal of and interest on the Notes in accordance with its terms and the provisions of the Note Resolution, the Note Fund or Note Repayment Fund established pursuant to Sections 402 and 404 hereof and such payment or payments received by the Corporation in accordance with paragraph 6 of Section 92-d or paragraph 5 of Section 92-e of the State Finance Law (constituting Chapter 56 of the Consolidated Laws of the State of New York), to the extent the same are not subject to any lien and pledge created by the Bond Resolutions and the pledge created by the Note Resolution is in any event subordinate to the lien on and pledge of the Revenues as defined in each of the Bond Resolutions and to any other pledge of and lien on any Revenues, monies, and securities effected by the Bond Resolutions. Any pledge or application of amounts to the payment of the principal of and interest on the Notes is and shall be in all respects subordinate to the provisions of the Bond Resolutions as from time to time amended or supplemented and to the provisions of any series resolution under either of the Bond Resolutions or other resolution of the Corporation authorizing the issuance of any Bonds, Notes on Other Obligations (as such terms are defined in the General Bond Resolution of the Corporation adopted July 2, 1975) or Bonds (as such term is defined in the Second General Bond Resolution of the Corporation adopted November 25, 1975) issued or to

be issued thereunder and the lien and pledge created thereby. Subject to the limitations described herein and the application of the monies in the Note Fund or the Note Repayment Fund as provided in Sections 402 or 405 hereof, the monies and securities hereby pledged and hereafter received shall immediately be subject to the lien of the pledge effected hereunder without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof, and pursuant to the Act irrespective of whether this Resolution by which this pledge is created is recorded or filed to protect such pledged except, however, that this Resolution shall be recorded or filed in the principal office of the Corporation.

Section 404. Establishment of 1978-Series 1 Subordinated Note Repayment Fund. Pursuant to the Act, the Corporation hereby establishes a special fund to be known as the "1978 - Series 1 Subordinated Note Repayment Fund" to be held and maintained by the Corporation. The Corporation shall cause its Chairman to file with the Comptroller a certificate or certificates specifying the required payment or payments and the date when the payment or payments is required in order to provide sufficient monies for the Corporation to pay the principal of and interest on the Notes in accordance with said Sections 92-d 92-e of the State Financial Law and and the Act provided however in such

certificate or certificates he shall include a statement to the effect that any such payment or payments is subject and subordinate to and after payments required under such certificate or certificates, including any revisions thereof, filed by the Chairman pursuant to the provisions of Section 607 of each of the Bond Resolutions. In any event no amount or amounts of such payment or payments shall be deposited by the Corporation in such Fund established herein unless all payment or payments required pursuant to the Bond Resolutions including said Sections 607 thereof and subdivision (1) of Sections 3036 and 3036-a of the Act have been received and deposited in the Debt Service Fund and/or the Bond Service Fund and/or the Capital Reserve Funds as defined in and as required by the Bond Resolutions and the Act. Subject to the preceding Section and the foregoing provision of this Section, the Corporation shall cause to be deposited in such Note Repayment Fund the amount or amounts of payment or payments received by the Corporation in accordance with paragraph 6 of said Section 92-d and/or paragraph 5 of said Section 92-e of the State Finance Law as certified by the Chairman of the Corporation in order to comply with this Agreement with the holders of the Notes.

Section 405. Payments From the Note Repayment Fund. Monies in the Note Repayment Fund shall be used to pay the principal of and interest on the Notes and pending such payment may be invested by the Corporation in the same manner

as monies in the Note Fund. The Corporation hereby agrees that it shall cause the Chairman or an Authorized Officer to withdraw from such Note Repayment Fund and to deposit immediately available funds at the office of the Paying Agent in order to pay at maturity the principal of and interest on the Notes. Notwithstanding the foregoing on any date prior to withdrawal of monies in such Fund for payment of the principal of and interest on the Notes, the Corporation shall cause its Chairman or other Authorized Officer to withdraw from such Note Repayment Fund any amounts therein and to deposit such amounts in the Debt Service Fund and/or the Bond Service Fund and/or either or both Capital Reserve Fund established pursuant to the Bond Resolution in the event that the total amount certified by the Chairman in accordance with Section 607 of either or both the Bond Resolution has not been received by the Corporation in accordance with the requirements of said Sections (including but not limited to requirements of time and amount).

ARTICLE V

COVENANTS

Section 501. Covenants. The Corporation hereby particularly covenants and agrees with the Noteholders, and makes provisions which shall be a part of the contract with such holders, to the effect and with the purpose as follows:

(A) The Corporation shall duly and punctually pay or cause to be paid the principal of and interest on the Notes, at the date and place and in the manner mentioned in the Notes, according to the true intent and meaning thereof.

(B) Upon the date of issuance of the Notes, all conditions, acts and things required by the Constitution or statutes of the State of New York or the United States of America, or the Note Resolution to exist, to have happened and to have been performed precedent to or in the issuance of such Notes shall exist, have happened and have been performed and such Notes together with all other indebtedness of the Corporation, shall be within every debt and other limit prescribed by said Constitution or statutes.

(C) The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of

the Corporation under the provisions of the Note Resolution in accordance with the terms of such provisions.

(D) The Corporation shall not issue any short-term obligations on a parity as to security for and source of payment of the Notes unless concurrent with the issuance and delivery thereof the Corporation shall deliver to the initial purchasers thereof: (i) a certificate by the New York State Commissioner of Taxation and Finance substantially similar in form and substance to the certificate described in paragraph (1) of subsection 3 of Section 202 of the Second General Bond Resolution of the Corporation adopted November 25, 1975; (ii) a certificate by the Comptroller or Director of the Budget of the State of New York substantially similar in form and substance to the certificate described in paragraph (2) of such subsection; (iii) a certificate of an Authorized Officer setting forth (a) the dates and amounts of payments of principal (including sinking fund payments) and interest due to be paid in the then current and any succeeding Fiscal Year to and including the Fiscal Year next ending subsequent to the last date on which any Notes or short-term obligations issued on a parity therewith

are scheduled to mature on any Bonds, Notes or Other Obligations as defined in either of the Bond Resolutions, (b) the estimated operating expenses of the Corporation for the current Fiscal Year and (c) the dates and amounts of payments of the principal of and interest due to be paid on any Notes or short-term obligations of the Corporation issued or to be issued on the dates of such Certificate on a parity therewith (other than any such Notes or obligations defeased on or prior to the date of such certificate) for each of the Fiscal Years set forth in (iii) (a) hereinbefore; and (iv) a certificate of an Authorized Officer stating that the aggregate of the amounts set forth pursuant to (i) and (ii) above after deducting the aggregate of the amounts set forth pursuant to (a) and (b) of (iii) above, will be at least equal to for each Fiscal Year set forth in (iii) (a) hereinbefore to the amounts set forth in (iii) (c) hereinbefore, and, representing further that the Corporation has determined that monies will be available in sufficient amounts and at the time or times necessary to enable the Corporation to make the payments set forth in (iii) (c) when due.

ARTICLE VI

SALE AND DELIVERY OF THE NOTES

Section 601. Sale of Notes. The Notes authorized to be issued herein shall be sold to the purchasers named in the Note Purchase Agreement, at the aggregate price of \$ and the Chairman of the Corporation or the Executive Director or Deputy Executive Director of the Corporation or other Authorized Officer, each are hereby authorized to execute the Note Purchase Agreement in the name and on behalf of the Corporation and to deliver the same to the purchasers named therein (the "Purchasers").

Section 602. Delivery of the Notes. Any of the Authorized Officers are hereby authorized and directed to deliver the Notes, duly executed in accordance herewith, to or for the account of the Purchasers and to deliver or cause to be delivered to the Purchasers the following:

(1) A copy of the Note Resolution, certified by the Secretary or an Assistant Secretary;

(2) An Officer's Certificate stating that, as of the time immediately after the delivery of such Notes by the Corporation and payment, deposit or application of the proceeds in accordance with the Note Resolution, (a) no default in the payment of the principal of or interest on any of the Outstanding Bonds, Outstanding Notes (if any) or Other Obligations (if any) as defined in either of the Bond

Resolutions will exist, and no event of default, or event which with notice or lapse of time, or both, would constitute an event of default, as described in Section 1202 of either of the Bond Resolutions will have happened and will then be continuing, and (b) all the proceeds of such Notes will be paid, deposited or applied in the manner provided in the Note Resolution;

(3) A Counsel's Opinion to the effect that (i) the Corporation has the right and power under the Act as amended to the date of such Opinion to adopt the Note Resolution, and the Note Resolution has been duly and lawfully adopted by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms, and no other authorization for the Note Resolution is required and (ii) the Notes are valid, binding and direct and general obligations of the Corporation as provided in the Note Resolution, enforceable in accordance with their terms and the terms of the Note Resolution and entitled to the benefits of the Note Resolution and of the Act as amended to the date of such Opinion, and such Notes have been duly and validly authorized and issued in accordance with law, including the

Act as amended to the date of such Opinion, and
in accordance with the Note Resolution.

ARTICLE VII

MISCELLANEOUS

Section 701. Defeasance. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the holders of the Notes the principal of and interest on the Notes at the time and in the manner stipulated herein, then all covenants, agreements and other obligations of the Corporation hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied. If (i) monies or (ii) obligations of the United States of America, the principal of and interest on which if paid, when due, will provide monies sufficient to pay the principal amount of the Notes and interest thereon when due shall have been set aside and shall be held by a bank or trust company in the State of New York having a capital and surplus of not less than \$25,000,000, in a separate account irrevocably in trust for and assigned to the holders thereof (through deposit by the Corporation of funds or obligations for such payment or otherwise), the principal amount of the Notes and interest thereon shall be deemed to have been paid within the meaning and with the effect expressed in this paragraph. Monies so set aside and held may be invested in obligations of the United States of America, provided however, that said obligations shall mature not later than the maturity date of the Notes and shall be scheduled to pay the principal of or interest on such obligations at such time and in such amounts

as shall permit the payment of the principal of and interest on such Notes when due. All earnings from the investment of such monies shall be paid over to the Corporation, as received by such bank or trust company, free and clear of any trust, lien or pledge.

Section 702. The Paying Agent.

doing business and having its principal office in The City of New York, New York, is hereby named and appointed as Paying Agent hereunder. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Note Resolution by executing and delivering to the Corporation a written acceptance thereof. The Paying Agent shall not assume any responsibility for the correctness of the statements contained herein and in the Notes, shall not be deemed to make any representations as to the validity or sufficiency of this Resolution or of any Note issued hereunder or in respect of the security afforded by this Resolution, and shall not incur any responsibility in respect thereof. The Paying Agent shall not be under any responsibility or duty with respect to the issuance of the Notes for value or the application of the proceeds thereof or the application or any monies paid to the Corporation. The Paying Agent shall not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own monies,

unless properly indemnified. The Paying Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or default. The Paying Agent may become Noteholder of the Notes and may otherwise deal with the Corporation, with the same rights it would have if it were not Paying Agent.

Section 703. Performance of Obligations. The Authorized Officers are, and each of them hereby is, authorized to do and perform all things and to execute all papers in the name of the Corporation or otherwise, and to make all payments, necessary or desirable to the end that the Corporation may carry out the purposes of the Note Resolution and perform its obligations under the terms of the Note Resolution and the Notes.

Section 704. No Recourse on Notes. No recourse shall be had for the payment of the principal of or the interest on the Notes or for any claim based thereon or on the Note Resolution against any officer of the Corporation or any person executing the Notes.

Section 705. Executory Provision. Notwithstanding any other provision of the Note Resolution and pursuant to the Act, any provision in the Act or in the Resolution or in any other agreement between the Corporation and the Noteholder including the Notes and the Note Purchase Agreement relating to taxes imposed under article twelve or section eleven hundred seven or eleven hundred eight of the Tax Law of the State or

the State Aid apportioned and paid pursuant to Section 54 of the State Finance Law or to the funds created by sections ninety-two, ninety-two-d and ninety-two-e of the State Finance Law shall be deemed executory only to the extent of the monies available to the state in such funds from time to time and no liability on account thereof shall be incurred by the State beyond the monies available in such funds.

Section 706. Effective Date. This Note Resolution shall be effective immediately.