Chapter Six

STAFF REPORT ON

TRANSACTIONS IN SECURITIES OF THE CITY OF NEW YORK

THE ROLE OF BOND COUNSEL

August 26, 1977

S E C U R I T I E S A N D E X C H A N G E C O M M I S S I O N

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BOND COUNSEL

I. INTRODUCTION

Bond counsel's duties are rooted in the municipal financing excesses of the 1870's. In the zeal of the times, many bonds were improperly authorized, causing the bonds to be invalid obligations. When it was ultimately discovered that many of the bonds were illegally authorized, public confidence in the municipal bond market waned sharply, making it extremely difficult for all but the most substantial cities to raise funds in the capital market. To restore confidence in the integrity of the municipal evidence of indebtedness, independent counsel began to pass upon the validity of proposed municipal issues. Their opinions reassured investors, and while market and credit risks were still present, at least legal risks as to validity were diminished. 1/ Today bond counsel's opinion, generally, concerns two matters of paramount significance to investors: (1) the validity of the authorization and issuance of the municipal security; and (2) the tax-exempt nature of the security.

1/ Securities Industry Ass'n, Fundamentals of Municipal Bonds at 121-22 (1972).

From the period January 1973 through March 1975, four firms acted as bond counsel for various managing underwriters in connection with the offer and sale of municipal securities of the City of New York: (1) Wood Dawson Love & Sabatine ("Wood Dawson"); (2) Sykes, Galloway & Dikeman (since combined with Willkie Farr & Gallagher) ("Sykes Galloway"); (3) Hawkins, Delafield & Wood("Hawkins Delafield"); and (4) White & Case. 1/

With respect to City bonds, the law firm of Wood Dawson had been retained for every offering not only from January 1973 through March 1975, but from the 1930's to the present, with the exception of only two or three bond sales.

With respect to City notes the managing underwriters of the selling syndicates of New York City generally retained the services of one or more of the first three of the law firms enumerated above on an arbitrary basis.

Of the four firms, Wood Dawson was the most familiar with the City's procedures in issuing its municipal securities.

Wood Dawson's entire practice is confined to the area of municipal securities. White & Case had never acted as bond counsel until the end of February 1975. All of the firms, with the exception of White & Case, had a long history of acting as bond counsel both within the City and nationwide.

1/ A chart listing issues from October 1974 to March 1975 and identifying bond counsel for each issue is attached at Appendix A.

Hawkins Delafield began its association with the City of New York approximately in 1939, when they were first retained in connection with certain transit unification bonds. The practice of Hawkins Delafield is not limited exclusively to municipal securities.

The firm of Sykes Galloway, which was merged into Willkie, Farr & Gallagher in 1975, was a successor firm to many previous firms engaged in the practice of municipal securities laws since approximately 1956. Sykes Galloway, like Wood Dawson, practiced municipal securities law almost exclusively.

White & Case entered the arena as bond counsel when the Bankers Trust Co., a historical client, appointed them to act as bond counsel in connection with certain tax anticipation notes offered in February 1975. White & Case had no prior experience as bond counsel on general obligation securities.

The bonds of the City of New York were sold to underwriters on an all or nothing basis. One syndicate bought all the bonds, and one bond counsel provided the approving opinion as to those bonds. 1/ The notes, however, were sold as a block or severally. Therefore it was possible for several syndicates to be involved in the purchase of the notes, and, concomitantly, several bond counsel to furnish approving opinions as to those portions of the notes taken down by the several syndicates. 2/ As a result, at any given time Sykes Galloway; Hawkins Delafield; and Wood Dawson

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1/ See Appendix A.

2/ Id.

could have provided approving opinions as to different amounts of the same issue.

Generally speaking, the bond counsel firms required the same background documentation as a foundation for issuing approving opinions. With some variation, such documentation included the following documents:

(1) a copy of the Charter of the City of New York;

(2) a certified copy of Delegation of Authority by the Mayor to the Comptroller to issue the securities;

(3) the certificates authorizing the issuance of the securities;

(4) a confirmation of sale;

(5) a certificate of the chief of the Division of Municipal Securities concerning compliance with certain notice requirements;

(6) a copy of the bids by the managing syndicates received by the City;

(7) a certificate of award to the winning syndicates;

(8) certificates as to the genuiness of signatures on various documents and as to the absence of litigation;

(9) a certificate of delivery and payment;

(10) a specimen of a security; and

(11) an arbitrage certificate. 1/

1/ A copy of a typical closing book, including the opinion of bond counsel is attached to this section of the Report as Appendix B.

II. BOND COUNSEL FOR NEW YORK CITY SECURITIES

The staff questioned senior partners of the firms that acted as bond counsel concerning their procedures in issuing approving opinions in New York City issues. The law firms did not maintain extensive files on each issue. For the most part their files consist of copies of closing documents. What follows is a discussion of the procedures followed by the firms in issuing approving opinions and a discussion of the knowledge of the law firms of City finances during the period January through March 1975.

A. HAWKINS, DELAFIELD & WOOD

Counsel in the firm Hawkins, Delafield & Wood testified as follows with respect to the procedures used for issuing an approving opinion as to a bond anticipation note offering by the City:

> Having ascertained that we would accept the retainer, we would assign an associate attorney to this issue, discuss it in general terms on a bond anticipation note,. . .following normal procedure [I] would have discussed the city's practice which I was familiar with of publishing the bond resolution authorizing the underlying bonds for a bond anticipation note in the City Record which is keyed into the Capital Budget of the City of New York which is published annually in the City Record, and then I would describe to the associate that the bond resolution, when published, is usually accompanied by a resolved expenditure for the proceeds, which is how you tie it in with the capital budget, and then it should go up to the City office . . . to check the authorization, whether this was a first issuance of a bond anticipation note or a renewal, and if it was a renewal, whether any amortizations were required under the

> local finance law and constitution. We would check at the offices of the City Charter, and ascertain whether or not there had been any applicable amendments, changes in the provisions of the Charter. We would ask for a debt statement of the City and ascertain [that] the issuance of the bond anticipation note, would not cause the City to exceed its constitutional debt limit.
>
> We would prepare the closing documents. We would look at the Notice of Sale for the issue [and] bids received to ascertain that . . . this particular issue of notes was awarded properly. We would get a copy of a successful bid. If it was a time when the notes were being printed, we would want to look at the printer's proof of the note form. We would arrange for a closing with the purchaser. We would prepare drafts of closing documents, and I believe in '73, there would be the arbitrage provision of the Internal Revenue Code and regulations. We would examine at the time . . . an executed note to make sure it was properly executed by the proper party. We would make some of the arrangements for delivery of the money and delivery of the notes between the City and the purchaser, although I guess through past practice, the two parties were pretty well accustomed as to how they worked that out, and we would prepare our opinion for delivery at the time the notes were issued and paid for. 1/

In describing the firm's procedures in passing upon revenue anticipation notes as opposed to bond anticipation notes, counsel made several noteworthy distinctions:

> . . . a revenue anticipation note is a merely different type of financing in that it is merely a method of getting

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1/ Testimony of Gerard Fernandez, Jr., at 25-27.

> cash for current operations as distinguished from capital projections for which bond anticipation notes would be issued
>
> * * *
>
> [For our purposes] I don't think, for example, a debt statement would be as important in a revenue anticipation note issue as it would be in a bond anticipation note offering because of the provisions in New York regarding revenue anticipation notes . . .
>
> * * *
>
> We do not get a bond resolution or a resolution for expenditure such as alluded to in regard to the bond anticipation notes. We would get a certificate of the Comptroller executed by a deputy, authorizing the issuance of the notes making a categorical reference to the type of revenue in anticipation of which the note is issued, and showing the amount to be issued and estimated amount in the expense budget, which is the City's term for its current budget as distinguished from the capital budget. The amount collected to date, the amount of notes outstanding in anticipation of the estimated revenue, and the balance against which notes may be issued, that would probably be the basic difference. The rest of the documentation is essentially the same. 1/

Continuing his description of the differences in City securities, counsel described the procedure used for passing upon tax anticipation notes:

> It differs slightly from the revenue anticipation note in that under the New York law,

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1/ Id. at 39-41.

> a tax anticipation note is an anticipation of the receipt of real estate taxes levied or to be levied and necessitates proof as to the amount of taxes levied or to be levied and how many notes are outstanding, the amounts uncollected, and the amount unreserved for uncollected taxes that the issuer may have. 1/

There was significant, if not exclusive, reliance on the documents furnished by the City officials for the issuance of the firm's opinion:

> Each of the [closing documents] relates solely to compiling a record of proceedings establishing to our satisfaction the validity of the issue of notes pursuant to Local Finance Law and City Charter. The certificate of the Comptroller authorizing the issuance of the notes sets forth the Comptroller's estimate of taxes (revenues) to be received which is the basis upon which the notes are issued pursuant to the Local Finance Law. Since our retainer, as bond counsel, is to opine as to validity, we did so on the basis of the review of such documentation before rendering our final approving opinion. 2/

Counsel stated that the firm had no obligation to go behind the figures presented to them by the City officials because, as he said:

> Well, only that I have always felt that when we get a certificate from a responsible official of the public body, that we are entitled to rely upon that. 3/

1/ Id. at 43.

2/ Memorandum to William Lawless from Gerard Fernandez, Jr., January 24, 1977 [hereinafter referred to as "Fernandez memorandum"].

3/ Testimony of Gerard Fernandez, Jr., at 55.

Counsel further amplified on this point in a memorandum:

> This is particularly true where the Local Finance Law provides for and requires a statement of estimated amounts by the chief fiscal officer of revenue or expenditures. 1/

Hawkins Delafield noted the distinction between the validity of the City's debt obligations and the collectibility of taxes and revenues against which the obligations were issued.

> The Local Finance Law authorizes the renewal of TANS and RANS notwithstanding that the taxes in anticipation of which they have been issued have not been collected or may not be collectible; however, such TANS and RANS are still valid obligations - collectibility is not an item of validity in such instance. 2/

Hawkins, Delafield was aware that its opinion would be relied upon not only by the underwriting banks who had retained the firm directly, but also by the ultimate purchasers of City bonds and notes:

Q. Now, the opinion you issue, sir, I understand the underwriters pay you for it, and they are your clients, but, who actually gets the opinion?

A. Well, I can't actually say who actually gets the opinion except any purchaser of a note is entitled to have a copy of the opinion.

Q. Could the notes be sold without a note counsel's opinion?

A. I am told they cannot be. 3/

* * *

Q. Your responsibilities extend to the ultimate investor?

A. Yes, but the time you deliver the notes, there is a responsibility to the ultimate investor, but I don't know that you necessarily have to keep following those bonds around.

1/ Fernandez memorandum at 2.

2/ Memorandum from Fernandez to Lawless, Re: TANS and RANS of the City of New York, January 29, 1977, at 2.

3/ Testimony of Gerard Fernandez, Jr., at 47.

Q. I follow what you are saying up until the closing date you have a responsibility toward the underwriters, but you also realize you were doing the work - you must be careful -

A. It is near and dear to our hearts for the little old lady of Dubuque. 1 /

On February 28, 1975, the City cancelled a proposed tax anticipation note offering of $260,000,000 because of the unavailability of current information concerning the sufficiency of uncollected real estate taxes against which the TANs were to be issued. The cancellation of the TANS offering did not cause the firm to discuss the City's problems with their clients.

Q. Do you have any knowledge of what occurred in that instance?

A. I don't have the intimate details because we were not involved, but, as I recall it was a question of the estimate of uncollected taxes not being as up to date as counsel and the banker I guess on advice of counsel would have preferred them to be. Therefore, I think they advised their client not to take up the notes.

Q. Now, when that latter note offering failed to materialize did that have any effect on either the 12/13/74 or the 2/14/75 RANS offerings which you have been note counsel, that is, did you issue a supplemental opinion? Did you contact your client and ask them what was going on or anything of that nature?

A. No. 2 /

Nor was Hawkins Delafield concerned earlier when the note denominations were lowered.

Q. Did you know that in December of 1974 for the first time the City of New York issued notes in 10,000 dollar denominations?

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1 / Id. at 118-19

2 / Id. at 71.

A. Yes, I think they were 25.

Q. Do you have any idea why the City at that time chose to issue 10,000 dollar denominations?

A. Well, I don't know whether I made inquiry. I possibly deduced it myself. They were trying to make them available to the so-called smaller investor. People who could afford 10,000 dollars could not afford 25.

Q. Nobody actually discussed it with you?

A. No, I don't remember discussing it.

Q. At any time was there any discussion between yourself, some member of your firm and the banks of the City concerning the suitability of the RANS? The RANS of 2/14/75 as investments for the so-called small investors?

A. I don't follow your question. You mean as to marketability?

Q. As to suitability, the concept investment advice.

A. No. 1/

Indeed, Hawkins Delafield did not so much as discuss the City's severe financial problems or contemplate the possiblity of default in connection with the rendering of an opinion on December 13, 1974, and February 14, 1975, offerings:

Q. At the time you were rendering opinions on these two issues, was there ever any discussion of default or that the City was in serious financial difficulties within the firm?

1/ Id. at 92-93.

A. No. 1/

The Hawkins Delafield partner working on the New York City account stated he was unaware of the City's difficulties unfolding in late 1974.

Q. Were you aware that New York City was having financial difficulties in December 1974?

A. I couldn't say that I was aware that they were having financial difficulties. 2 /

The vital end product of bond counsel's efforts was often produced with surprising dispatch.

Q. Was this particular RAN offering to your knowledge any different from any other RANS (sic) offerings?

A. No.

Q. About how long does it take to prepare, to do the work and prepare an opinion?

A. Well, we have precedence (sic) in the office, so, the actual time consumed is propably not much more than an hour, considering preparation, typing and review.

Q. That's just the opinion?

A. Yes. 3/

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1 / Fernandez at 62-63.

2 / Id. at 53.

3 / Id. at 57.

B. SYKES, GALLOWAY & DIKEMAN

Counsel in the firm of Sykes, Galloway & Dikeman, described in his testimony before the staff the procedures used by the firm after they were notified of the retainer as bond counsel for certain notes of the City. The description given was very similar to that given by Hawkins Delafield.

Sykes Galloway, upon being notified of their retainer, submitted to the Chief of the Municipal Securities Division of the City a letter requesting all documents needed by the firm as the basis for their opinion. These documents consisted of various letters and certificates which were completed by the City. 1 / Unlike other municipal offerings in which Sykes Galloway represented the issuer and prepared these documents themselves, the firm had no such responsibility in connection with City underwritings.

> In this case, because of the very different relationship [with the City] and the fact we did not represent the City [and], had no on-going relationship with them -- we, of course, had not participated in drafting any of the underlying documentation — it was simply a question of our reviewing the legal sufficiency of what they had previously prepared. 2 /

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1 / Dikeman at 44.

2 / Id. at 47.

Counsel pointed out that the fees charged for rendering the approving opinion on New York City notes, were substantially less than the fees charged other municipalities. He stated the time expended was less for the New York City offerings than for other similar offerings, since his firm was not required to draft the underlying documents supporting the authorization of the notes, a function normally performed for other municipalities. Counsel also stated that the volume of securities offerings by the City was very high, permitting the firm to charge less than it would have charged given a similar offering by another municipality. 1/

Counsel articulated the same position regarding reliance on certificates of City officials as Hawkins Delafield:

> A. We . . . relied upon the certification by the City Comptroller, and in fact, since it was a lumped estimate of a group of revenues [referring to revenue anticipation notes], there is no way in which we could have, as a practical matter, short of an intensive audit, which as lawyers . . . we do not feel we are obligated to undertake, there is no way in which we could have made a judgment on the accuracy of those figures supplied to us by the Comptroller. In other words it was our position that this certification, which incidentally is a public document required to be officially filed with the Mayor, was presumptive evidence upon which we could rely as to the correctness of the figures.

1/ Dikeman at 47-48.

Q. Sir, am I correct then in [stating] that Sykes Galloway did not attempt to go behind any of the figures that the Comptroller certified to you?

A. That's correct. Not only because the impossibility as a matter of time, but because of the impossibility as a matter of having the wherewithal to do so. And I might add, the first reason, I think lack of time, is self-evident, of course. 1 /

The City provided bond counsel with certificates dated four to eight weeks before the proposed issue date of anticipation notes. These certificates indicated how much had been received in revenues or taxes and how much was still expected to be received. Anticipation notes could be legally issued against the uncollected revenues or taxes. Although the actual balance against which the anticipation notes could be issued was critical, the City did not provide and Sykes Galloway did not request current information as of the closing date. Counsel described an instance when the City was unable to provide updated information because of failures in their informational system:

Q. Mr. Dikeman, I think one thing that we are interested in ascertaining is that some of these certificates of the comptroller are several days, maybe even as much as two weeks before the date of sale.

* * *

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1 / Id. at 52.

> The question that comes to our mind is, is it possible that in the intervening period . . . the city . . . would have collected outstanding receivables in such volume . . . that it would not have outstanding the receivables it was issuing the notes against?
>
> A. (Mr. Rothman) Well, I suppose it's possible. I asked Sol Lewis * * * the chief accountant for the city, who gave us his assurance it was not true.
>
> Secondly, he could not provide the entry because the entry on their ledgers and their computer system was not to date so they could provide the information.
>
> So what we did was make a business judgment based upon the amount still to go and the amount received and our knowledge of federal state programs as far as giving money. . . [to] the City of New York.
>
> * * *
>
> (Mr. Dikeman) [T]he city told us their bookkeeping system was inadequate to bring us right down to the closing date with actual collections.
>
> * * *
>
> [W]e had to make a judgment based upon our knowledge, one, of the patterns of payment, and the spread between the amounts actually certified as collected as of the previous day and the amount of overall collections anticipated. 1 /

The firm did not see or request that Statement of Essential Facts represented by the City as being available to any purchaser upon request in connection with the sale of its notes; nor did the firm know that such statements were never made available 2 / and the firm did not

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1 / Id. at 110-111.

2 / Id. at 55-56.

see or request the Annual Report of the City of New York. 1 /

Counsel testified that it was his belief that it was altogether irrelevant to the function of bond counsel to know whether or not the City was employing certain budget mechanisms which could be characterized as gimmicks. As he stated:

> [T]hose factors would have been viewed by me as completely irrelevant to the question of legality, which is what the opinion deals with, not the question of fiscal stability or the ability of the City to pay or the likelihood of its paying. Those are elements of marketability and . . . have no relevance to the question of legality. 2 /

In responding to a question as to his knowledge of the various items which were legislatively authorized for long term funding counsel testified:

> I was going to observe that . . . I was not familiar enough with the actual City budget as adopted from year to year to have first-hand knowledge as to what in fact or to what extent the City in fact had taken advantage of the state legislation which permitted them to bond certain items that they had not been permitted to bond in past years. 3 /

Counsel was asked whether he was aware of the utilization of unsound financing devices by the City. He responded:

> I suppose one can answer the question: 'Do I know that the City used unsound financing practices in the past?' by saying I would think that any well-read citizen would be aware of that in view of recent developments. 4 /

Counsel stated he was unaware of specific reports concerning the City's financial practices:

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1 / Id. at 56.

2 / Id. at 81-82.

3 / Id. at 90.

4 / Id. at 91-92.

Q. Have you in the past become familiar with the Citizens Budget Committee Reports?

* * *

A. No, I don't have any first-hand knowledge of any of their reports. I have never seen one, as a matter of fact.

* * *

Q. Have you ever read any of the Charter Revision Commission Reports?

A. No.

* * *

Q. Have you read any of the reports put out by the State Comptroller auditing New York City's financial practices?

A. No.

* * *

I have never read any of the State Comptroller's audit reports regarding the City of New York since they have been issued. And I could not give the exact date when they were first available.

Q. Have you ever read any of the transition reports put out by the Fund for the City of New York in connection with Lindsay's stepping down from office and Beame's assumption [of office]?

A. No, I have not.

Q. Have you ever read any of the reports put out by the Temporary Commission on City Finances?

A. I am not sure I know what body you are talking about, but I would presume that I have not.

* * *

Q. . . . As part of your role as bond counsel and note counsel to underwriters who purchase New York City securities, do you consider your obligation, that is, your firm's obligation, to become conversant with these various reports that I have mentioned?

A. No, I don't see that they have any relationship whatsoever to our function as bond counsel.

Q. Do you know whether the City has used what is popularly known as deficit financing to finance its operations on a yearly basis?

A. All I know is what I read in the newspapers.

Q. Have the papers told you that?

A. The papers have so indicated.

Q. When did you first learn that?

A. Probably whenever it was first reported in the press, whenever that might be.

* * *

I would assume that it was sometime in mid-'75 perhaps.

* * *

My recollection that, until after the situation developed last February—was it with the Tax Anticipation Note issue?--that there really was no sound evidence, at least so far as the public was concerned, or had come to my attention, that the City was in fact, at that juncture, suffering from a--suffering is the wrong word--was in fact encountering very serious financial difficulties,... the magnitude of which were much more than had normally been assumed.

Q. Did the vagaries of the City's financial problems concern you as note counsel at all in passing upon the notes that are offered?

A. Well, there again, I would reiterate that our function as we see it as approving counsel is limited basically to a review and an expression of opinion upon the legality of the transaction.

* * *

Mere publication in the press of financial problems of the City is not enough to cause any undue excitement. 1 /

Sykes Galloway was unaware of various accounting practices used by the City during the period under investigation:

Q. At the time you passed upon the three note offerings in question, that is on September 9th, September 30th, 1974 and January 13th, 1975, were you aware of any the following problems which I am going to recite to you: That the City was using the accrual method of accounting for its revenues whereas it was using the cash method of accounting for its expenses?

A. No, I was not aware of that.

* * *

Q. Were you aware that the City was suspending certain payments that it was legally obligated to make from one year to the next so as to effectuate a balanced budget?

A. You mean were they postponing payments from one year to the next as has been suggested by the press as to income tax refunds?

Q. Yes.

A. No, I suppose that unless they are reported in the press as a part of the usual budget balancing act which the City annually went through, I would note that--have taken particular notice of it. It's a . . . device which has been used by many units of governments from time to time . . . as a temporary

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1 / Id. at 92-97.

expedient to bring them over a particular difficult fiscal year period, as mentioned in the case of the State of New York which was reported in the press yesterday, studying the possibility of delaying income tax refunds past April 1st in order to -- which is the beginning of its fiscal year—in order to balance outgo against income.

Q. Were you aware that the City was carrying forward deficits from year to year on a systematic basis?

A. No, I was not.

Q. Were you aware that the City was recognizing questionable receivables on its books to indicate revenues that were expected?

A. No, I was not. Of course, in that respect, I might mention that the Revenue Anticipation Notes which we approved were issued in anticipation of state and federal aid payments.

* * *

Usually one would assume to be reasonably safe sources of revenue as distinct from what I assume you are alluding to as questionable sources. Perhaps you have in mind some of the ancient tax receipts which have been mentioned in the press.

Q. Do you know whether or not the City was--I should say has established reserves for uncollected revenues in its budget?

A. No, I would have no knowledge of that. 1 /

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1 / Id. at 97-99.

Counsel stated that his firm would not pass upon a security which appeared to have a good possibility of going into default. Nonetheless counsel expressed complete ignorance of the City's financial practices and status:

> [I]f we had knowledge that [the City] in fact could not receive the revenue, we did not think it would be proper for us to approve revenue anticipation notes.
>
> Q. You said if you had knowledge. How would you know?
>
> * * *
>
> A. We would not normally know. We would accept the certification of the public official.
>
> * * *
>
> Q. Would you think it your duty to make some attempt to find out?
>
> A. No. Because I don't know practically how we could.
>
> * * *
>
> I think we as a practice--as a matter of law, I think we are entitled to rely upon the certification of the chief fiscal officer of the unit concerned.
>
> * * *
>
> Q. You said as a matter of law you are entitled to rely upon this certificate. Do you have any authority for the proposition?
>
> A. No. 1/

Sykes Galloway did not pass upon any other issues offered by the City of New York after that $620,000,000 RAN offering of January 13, 1975.

1/ Testimony of Dikeman at 103-105.

C. WOOD DAWSON LOVE & SABATINE

The firm of Wood Dawson and its predecessors have existed since the 1930's. Their national practice is confined to acting as bond counsel to municipalities and underwriters purchasing municipal securities.

It has played a pre-eminent (if not totally exclusive) role as bond counsel in connection with the issuance of general obligation bonds by the City of New York. In fact, of approximately 100 New York City bond offerings since the 1930's, Wood Dawson has acted as bond counsel with respect to all but two or three. The firm has also been retained as bond counsel in connection with the City's note offerings, although not with the same exclusivity as with the City's bond offerings. 1/

During the period January 1973 through March 1975, essentially three persons in the firm worked on New York City matters: Leroy Love ("Love"), Leo E. Sabatine ("Sabatine") and Edward J. McCormick ("McCormick"). Love is and has been the senior partner of the law firm for several years. Sabatine, with Love, was responsible for reviewing the firm's opinions concerning the City securities and for attending the many meetings between City officials and members of the banking community during the crisis period beginning February 24, 1975, through March 15, 1975. Mr. Sabatine died during the summer of 1976.

1/ To provide a better portrayal of the firm's association with the City's municipal securities offerings over the last several years, a chart of all City notes and bonds issued by the City from January 1973 to May 1975 upon which the firm provided its opinion is attached as Appendix C.

McCormick, an associate, was responsible for the preparation of the documents underlying the firm's opinions. All three attorneys testified on two occasions and also met with members of the staff on several occasions during the investigation.

Wood Dawson's association with the financings of New York City has not been confined solely to providing the opinion as to the securities sold and distributed. The firm's association with the City goes back for many years as an informal advisor to the City on aspects of municipal securities and related legislation. It has in many cases been consulted by the City's officials and employees:

> From time to time . . . during the period 1970 to the present, we would confer with the Corporation Counsel and perhaps members of the staff of the City Comptroller on various matters relating to New York City's issuance of securities. These conferences dealt with technical matters, statutory interpretation [and] perhaps, on occasion, constitutional questions.
>
> * * *
>
> We weren't advising them. They would pose certain questions to us and request that -- whether or not we could go along with their interpretation or what they intended to do. 1/

The firm never billed and was never paid separately for such consultations. In a sense, the consultations which the City had with Wood Dawson tended to demonstrate that Wood Dawson was as much an attorney-advisor to the City as it was to the underwriters who retained them in connection with financings of New York City.

The City consulted Wood Dawson during 1970 to 1975 on many matters including, among other things, the exclusion of items from the City's debt limit, the switching of items from one debt limit to another debt limit,

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1/ Testimony of LeRoy Love, at 14.

the feasibility of financing items through public benefit corporations, the capitalization of certain operating expenses, and the use of City sinking funds to acquire City obligations unrelated to the sinking funds. 1 /

1. Retainer of the Firm

With respect to the bonds issued by the City, in each instance Wood Dawson was retained as bond counsel by the managing underwriters. With respect to notes issued by the City, while Wood Dawson issued a vast number of opinions, other firms were also retained to provide their opinions. 2 /

Bond counsel learned of their retainer in various ways. In most instances, bond counsel was notified by a telephone call from the managing underwriter a day or two after the award of the successful bid on behalf of the

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1 / Wood Dawson Love & Sabatine, General File, New York City Miscellaneous Matters.

2 / City officials preferred to work with bond counsel who understood the "practicalities" of complying with the exacting requirements of the Administrative Code and applying them to the complicated operations of the City. According to a memorandum written by Richard Peters of White & Case regarding discussions with Sol Lewis, Chief Accountant of the City of New York, Lewis told attorneys from White & Case: ". . . in his thirty years at the City, the accounting department had lived only 'within the spirit' of [the Administrative Code] regulations since strict compliance with such regulations was impossible for an operation as large as the City's. Lewis went on to say that he wanted to educate us in the way things were done with respect to accounting for tax regulations. He said that each time a new bond counsel came into the picture that the City officals would sigh and say "here we go again". White & Case internal memorandum, March 27, 1975, at 3.

syndicate. Usually this was only a few days before the delivery date set by the City. In at least one case, bond counsel learned of their retainer as a result of seeing the firm's name listed in the tombstone notice of the offering that appeared in the newspapers. 1/

On bond sales, Wood Dawson often learned of their retainer before the securities were even publicly offered for bid. Russell Aldag, head of the City's Municipal Securities Division, on many occasions notified the firm prior to any public notice of the sale of bonds so that Wood Dawson could begin to prepare the necessary documentation to be submitted to the City for completion and signature. Moreover, with respect to the proposed offering of the municipal bonds, from time to time the City would present to Wood Dawson the proposed notice of sale (without the accompanying Report of Essential Facts) to alert the firm that a sale was forthcoming and also to obtain any comments which Wood Dawson had upon the form of the notice.

> [O]ccasionally, [the City] would send us a proof of a notice of sale to verify their figures and details and so on; not for substance, really, but just to check the accuracy of the figures, not the Report of Essential Facts, just the Notice of Sale. 2/

1/ See, e.g., Dikeman at 60-61 (Testimony of Rothman); Testimony of Fernandez at 23-24.

2/ Testimony of Love at 146.

Wood Dawson's retainer came in most instances from the First National City Bank ("Citibank") or the Chase Manhattan Bank ("Chase"), with the preponderance from the latter owing to the Chase's preeminence in the sale of the City's bonds. There were other underwriters who headed up syndicates that successfully purchased bonds and notes of the City who retained Wood Dawson. Among them were (1) First National Bank of Boston; (2) Ehrlich Bober; (3) Chemical Bank; (4) Bankers Trust Co.; (5) Marine Midland; and (6) Irving Trust Co. Of $5,845,860,000 of the City's notes passed upon by the firm from January 1973 to April 1975, only $145,100,000, or less than 2-1/2% of the total, were the subject of opinions for clients other than Chase or Citibank. 1 /

The retainer in each instance was never discussed. It was determined by tradition. While the purpose of their retainer was self-evident, the scope was not. Wood Dawson examined matters which they deemed relevant. Limitations upon the scope were simply never specified.

Q. Do you ever make any disclaimers to your clients with regard to New York City as to the scope of your retainer?

A. No. 2 /

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1 / Appendix A.

2 / Id. at 55.

2. Preparation of the Opinion

Wood Dawson's procedures in preparing its opinion were standardized after many years of municipal securities practice. Members of the firm spent approximately one to one and a half days carrying out the procedures established by the firm when retained by managing underwriters to provide the approving opinion. 1/ Love, in speaking about the delegation of authority to Mr. McCormick, said:

> . . . My specific instruction to Mr. McCormick when he took over New York City's details of the New York City Bond issue [was] to become familiar with the Constitution and the statutes of the State of New York relating to the incurring of indebtedness by the City . . . . There is no specific instruction with respect to every single issue. That is just normal office procedure. 2/

The normal office procedure consisted of sending a requisition letter to Russell Aldag, Chief of Municipal Securities Division of the City, subsequent to notification to the firm of the proposed sale. The letter requested the documents needed by the firm. 3/ The documents varied with the security to be sold by the City. McCormick, in describing the procedures employed by the firm with respect to bond anticipation notes, said:

1/ New York Regional Office Memorandum for the Files, Meeting with Bond Counsel, January 20, 1976, at 4.

2/ Testimony of LeRoy Love, at 84.

3/ A copy of Wood Dawson requisition letter is attached as Appendix D.

> . . . We would obtain bond authorizations, Board of Estimate approvals of mortgages, the mayoral authorization of limitation . . . the debt settlement [sic, statement] and usual closing papers, statutory certificates, receipt, arbitrage certificate. 1 /

Armed with the certificates prepared in blank by Wood Dawson, and filled in by the City's officials, Wood Dawson prepared their approving opinion with respect to revenue and tax anticipation notes without investigation, verification or further authentication. 2 / McCormick gave the following testimony on this point:

> Q. And as of what date do you require such a certificate before you pass upon the legality of the offering; that is to say, how close to the sale?
>
> A. I think the dates vary.
>
> Q. Do you have any in-house policy concerning the currency of the certificates?
>
> A. I can't say that we do. The law provides that the amount of notes that can be issued is determined as of, as of the time of borrowing, which is a very — a term which is not defined and [it is therefore] not possible to obtain a specific date.

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1 / Testimony of LeRoy Love, at 86.

2 / In the case of bonds and bond anticipation notes, McCormick compared the City's figures as to bond authorizations and specific capital projects against the firm's copies of the City's record of authorizations and projects. The bulk of the City's short-term financing was made in anticipation of the receipt of revenues or taxes. The budget as adopted each year contained the estimates of City officials of revenues and taxes expected to be received within the fiscal year. The City was authorized by Local Finance Law to borrow against uncollected receivables. Wood Dawson received certificates signed by various City officials as to the amount of uncollected receivables as a condition precedent to the firm's issuance of its approving opinion. The certificates were dated as of the close of at least one month prior to closing.

Q. What is your practice concerning the currency or the proximity in time of the Comptroller's certificate to date the sale before you will pass upon the issue?

A. Well, due to the fact that this is a grey area and that there is no specific date that you can hold hard and fast with, and also that, under the law, that any monies that are received, any taxes that are collected really at such time as the amount of the uncollected taxes and the notes equal out should be segregated. We really usually have accepted the date which has been given to us by the Comptroller's office.

Q. Before closing, do you require an update of that particular certificate?

A. No.

* * *

Q. Did you ever request from the Comptroller a certificate more recent than the one he has given you?

A. (By Mr. McCormick) No.

Q. Did your client ever request of you to make such a request?

A. No, he did not.

Q. Has anybody ever made such a request of you?

* * *

A. No one has . . . ever made that request of me or of my firm to my knowledge.

Q. Well, let's ask that question of Mr. Love.

A. (Love) No. 1 /

Wood Dawson considered the certification a proper basis for their reliance on the City's figures. Relying on the accuracy and completeness of such certificates, the firm issued its opinion without questioning the figures, or the basis for determination of the figures. Taking solace from an 1858 New York decision, the Bank of Rome case, the firm's policy has been never to challenge the accuracy of the City's figures:

> We have never challenged the accuracy of the City's figures on the basis of the Bank of Rome case which says we don't have to - it has not been overruled and it's the law of the State. 2 /

Q. Mr. Love did you at any time advise your clients, Chase or First National City Bank, whether they should begin questioning the validity of the certificates presented by City officials concerning sufficiency of revenues?

A. I did not. I can't recall that I ever advised them to start questioning certificates, no. 3 /

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1 / Love at 88-90 (Testimony of McCormick).

2 / Testimony of Leroy Love, at 123-24.

3 / Id. at 124.

Love summed up his view that bond counsel owes loyalty to the issuer:

> Bond counsel owes it also to the issuer that it does not go around making funny noises, gratuitous noises, gratuitously. That might upset and cause great damage to the issuer. 1 /

Love also gave the rationale for the firm's position by referring to the special loyalty which Wood Dawson has as a firm to the City of New York:

> Mr. Sabatine has made remarks during this testimony, indicating that many people involved in these transactions, that we have been discussing here in this case, were not aware of the very delicate way this whole thing was balanced.
>
> We were very concious of it.
>
> We are citizens of New York, and we owe loyalty as citizens of New York and a special loyalty to all parties involved, that we do not do anything that can cause irrevocable damage to the interest of the City, and therefore, to its bondholders.
>
> We felt . . . and we felt that we did not want to be responsible, perhaps for a default of the City of New York . . . . we feel that we have an obligation more than just perhaps to the underwriter, we have that obligation to people who are holding outstanding securities, and we also have an obligation to the City to not upset its - to do anything that would have adverse impact, and especially in these times, these critical times.
>
> . . . . we were very conscious of the need for the City to have access to the market, that what — in this period we are getting down to cliff hanger. We didn't know where the — these securities might end up.

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1 / Testimony of LeRoy Love at 328.

> . . . . [W]e were aware that the banks had been traditionally putting a large amount of . . . [City securities] away.
>
> * * *
>
> . . . steps had been taken in connection with the creation of the Stabilization Reserve Corporation, that at least that was an effort in the right direction to perhaps reverse some of the trends, to get in hand, better, the financial affairs of the City.
>
> We took that a [sic] encouraging sign.
>
> In working with certain of the people in the City, we knew that there was an awareness of the difficulties, and the need to get certain matters in hand, and that was . . . an encouraging sign.
>
> Now, to panic when there was an attempt being made on the part of some, at least, to bring some order and so on in these affairs, while it did not color our judgment in any way rendering a legal opinion, we were very cautious not to go around borrowing or dreaming up additional problems for the City. They had enough.

Q. Additional problems, meaning making disclosure?

A. Not disclosure at all, not disclosure at all.

I mean in not gossiping or whatever.

It was just doing conscientiously what we were called upon to do, not on the matter of disclosure at all. 1/

Early in the investigation, Love was asked what should be done to remedy the problems emerging in municipal financings. In answering, Love referred to disclosure, and why he believed it was not a solution:

Q. [W]hat would you do about the apparent abuses by municipalities . . . .

1/ Id. at 328-31.

A. I would leave well enough alone. There is already too much regulation. Disclosure is a fad and would not help the municipal securities market. 1 /

3. Knowledge of the City's Fiscal Affairs

In an interview published in September 1975, Mayor Abraham Beame stated that New York City Banks and bond counsel were aware of the City's fiscal practices.

Q. Weren't they [New York City banks] critical of certain budget practices, so-called gimmicks? Of putting certain current expenses into the capital budget. Of borrowing to balance the budget. Wasn't this a legitimate cause of anxiety on the part of the banks?

A. It was not. I opened my discussion by telling you that the banks have been aware of these practices for years.

Q. Is there any particular reason why they picked this time to clamp down?

A. Let me finish. They were aware of these practices Their Bond Counsel had to approve every issue and to know what was in back of it. 2 /

According to the testimony of Love, he and members of his firm were unaware of many of the fiscal mechanisms and procedures employed by the City:

Q. Do you know whether the City borrows money in the capital market to finance budgetary deficits?

A. I do not know.

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1 / Memorandum to the Files; Subject New York City Investigation - meeting with Bond Counsel; Interview with Messrs. Love, Sabatine, and McCormick at their law offices, January 20, 1976, at 6.

2 / Interview with Abraham Beame, Challenge, September-October 1975, at 41.

Q. Do you know if the City borrows for the purpose of rolling over short term debt?

A. I do not know.

Q. Do you know if the City borrows for the purpose of financing operating expenses?

A. I don't know what you mean by that. The local finance law authorizes the City to incur indebtedness for objects or purposes which some people may regard as current operating expenses. 1 /

. . .

Q. Are you familiar with the accounting procedures used by the City in the preparation of the Statement of essential facts?

A. No.

Q. Do you consider it to be necessary to be familiar with those accounting practices in order to determine whether or not its certification is correct concerning the debt incurring power?

A. No. We rely upon the certificate of the appropriate officials. 2 /

When questioned more closely as to knowledge of particular practices, Love professed ignorance in each instance:

Q. [Were you aware that] the City's payroll cost would not be debited until they were actually paid, as opposed to when they were incurred, thereby shifting costs from one fiscal year to the next?

A. I would have to say no. If you are referring to February 15th, I didn't have that in mind at all.

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1 / Testimony of LeRoy Love, at 52.

2 / Id. at 153-54.

Q. Were you aware that certain expenses such as supplies, would not be debited until they were actually paid?

A. No.

Q. Were you aware that real estate taxes would be credited when they were levied and would be budgeted 100% without reserve?

A. No.

Q. Were you aware that local taxes would also be credited before collection and would be borrowed against by the use of tax anticipation notes, again without reserve?

A. No.

Q. Were you aware that Federal and State aid were similarly treated; that is to say, credited when due and budgeted, without reserve?

A. No.

Q. Were you aware that there was --

A. I never asked any such questions. It was not [necessary for us to render our approving legal opinion]

* * *

Q. Were you aware that there was year end short term borrowing to close budgetary gaps?

A. That was not one of the recited purposes which the notes or other borrowing was being resorted to. Whatever the other purposes were, when they borrowed there was always a specific authorization for that sort of borrowing in Section 11 of the Local Finance Law.

Q. Then you were aware that borrowing or not? I'm unclear of your answer.

A. No, I am not aware of — on February 15th, aware of any of these matters. I can't say that I was.

Q. Were you aware that real estate taxes were used as collateral for tax anticipation notes without regard to their collectibility?

* * *

A. That is not relevant in the issuance of tax anticipation notes of the City of New York. Possibly their [sic, they are] general obligations, they are not payable from specific revenue. 1 /

Messrs. Love and McCormick were asked questions concerning segregation of certain monies and the basis for assumptions that the monies were being segregated.

Q. I believe earlier you were discussing or we were discussing the tax anticipation notes and the issuance of tax anticipation notes in the course of the year and you indicated, I believe, if the notes were issued and the tax came in covering that particular TANS towards the end of the year, that money should be segregated, is that correct?

A. (By McCormick) Under the local finance law, that's correct.

Q. Is that money segregated in New York City?

A. (By McCormick) I have never verified that.

A. (By Love) You always assume, however, the public officials are following the dictates and mandates of the statutes and we have always felt ourselves entitled to rely upon that. 2 /

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1 / Id. at 76-78.

2 / Id. at 181.

According to Love, his firm would not pass upon the validity of a security if there was a significant possibility of default.

> Of course we do not pass upon the economic soundness of a security. That is not our function. We, of course, our retainer is to pass on the legality of the securities, but our firm would not render an approving opinion if we felt that there was significant danger that the obligation could not be met on time and when due. 1 /

The firm's focus was not whether the City had the ability to pay its maturing obligations, but rather whether the City had the power to pledge its full faith and credit to pay its obligations. In replying to questions whether the City could validly issue notes when the City does not have sufficient revenues due, Mr. Sabatine said:

> If the statutes o[r] the constitution set up a measuring device, an illusory sort of thing, it could be done, as I said before. You can draft a constitution to provide for every inch of snow. You can borrow money if the measuring device is met. The fact [that] it's illusory doesn't affect the validity. The source of payment is in the Constitution which requires the City to pledge its faith and credit on any obligation, including the notes.
>
> Now, you can come up with all sorts of measuring devices. We point out that in many States there are no limits [on the ability to incur debt] whatsoever. 2 /

There are indications that Wood Dawson became concerned about the City's worsening financial condition. In the fall of 1974, members of the firm first began to discuss among themselves the City's problems, in particular the vital need for market access:

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1 / Id. at 170.

2 / Id. at 177-78.

Q. Have your clients ever relied upon you to advise them as to sufficiency of revenues behind a note or bond issued by the City of New York?

A. No.

* * *

Q. Have you ever considered advising your clients as to such matters?

* * *

A. It was discussed in our firm . . . . in the fall of 1974.

Q. In what context?

* * *

A. Because it seemed that the short-term borrowing was getting out of hand.

Q. Why did it seem that the borrowing was getting out of hand?

A. The frequency and the amount of the offering.

Q. What was the amount then; do you recall?

A. No. I don't recall.

Q. How many times greater was it then than in previous years?

A. I would have to refer to figures, but it was significantly greater in the frequency and the amount; gradually increased over a period of time.

* * *

Q. What did you discuss [in your firm] ? . . .

A. We discussed generally the advisability of meeting informally with our clients, our traditional clients [the banks] and discussing some of our concerns about the finances of the City of New York.

Q. What was the result of those discussions?

A. We never — events began to snowball on us and we never had time or took the time to call that meeting with our clients and to discuss these matters.

* * *

Q. Did you feel at that time that notes or bonds of the City had a good possibility of going into default?

A. We felt that if the City were unable to — put it another way: We felt that access to the market was essential to the ability of the City to meet its obligations on time.

* * *

A. (Continuing) Furthermore, we felt that the City was making an effort to get in hand some of its financial problems with the creation of the Stablization Reserve Corporation.

* * *

Q. Then it is my understanding that you had a discussion among yourselves because you were concerned as to the sufficiency of revenues but did not communicate your concern to your clients, is that correct?

A. It was not necessarily a concern about the sufficiency of revenues. It was a general concern about the financial affairs of the City of New York.

Q. And you say that it was —

A. I suppose that, by definition, that concern may — it was never articulated -- may have incorporated the concern that the City might not be able, if it were cut off from market access, to meet all of its obligations on time.

Q. And your concern, if I understand it, was promoted because of the volume --

A. The volume.

Q. (Continuing) — of short-term debt?

A. The volume, the frequency, and I suppose through our own in depth investigations that came about because of being retained as bond counsel for the Stablization Reserve Corporation; the matters that we were investigating with respect to preparing an official statement for the Stablization Reserve Corporation.

* * *

A. (Continuing) Our concern was further stimulated because of certain practices; the type of financing the City was resorting to, such as anticipating certain water and sewer revenues.

MR. SABATINE: In previous years.

THE WITNESS: In previous years.

MR. SABATINE: Financing lease obligations.

THE WITNESS: And financing lease obligations and other such practices. Strike "other such practices." And such practices. 1 /

Love was asked later in the testimony about the firm's concern in connection with the offering of $141,000,000 in serial bonds, which closed on February 27, 1975, the last offering of City securities upon which the firm issued a formal opinion.

A. We were not concerned about the validity of that bond issue or the inability of the City to pay those particular bonds. We were not concerned about that.

Q. . . . You were concerned with what, then?

A. We had a general, a general uneasiness about certain financial practices of the City of New York which were not legal . . . [W]e felt that certain of the practices of the City in funding and anticipating certain revenues were perhaps unsound, though we were never retained to give such advice by our clients . . . . 2 /

Love asserted that certain information already in the public domain obviated the necessity to disclose:

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1 / Id. at 55-60.

2 / Id. at 61.

> I did not think it was my duty to tell my client anything I read in the New York Times . . . That was my whole source of my knowledge, what I read in the New York Times or in the New York Post, or other papers and, no, I did not feel a duty to tell my client what was readily available to him in the local paper. 1/

David Grossman, who was then a senior vice president of the Chase Manhattan Bank and a special assistant to David Rockefeller, Chase's chairman of the board, took handwritten notes of a meeting on March 8, 1975, of the Financial Community Liaison Group (a group composed of the City's financial leaders formed to provide short and long-term solutions to the City's financial difficulties). Those handwritten notes were later reduced to a typewritten transciption identified on the record by Sabatine and Love as generally representing what, in fact, was said at that meeting. Grossman's memorandum paraphrases the advice which the firm gave at the meeting:

> Wood Dawson feel strongly that as long as City maintains it has authority based on budget appropriations the underwriters have no reason to look behind the City's statements unless they have some definite reason to suspect 'hanky-panky'. 2/

On March 11, 1975, only 12 days after the last offering opined on by the firm, Love wrote a memorandum to Ellmore Patterson, chairman of the Financial Community Liaison Group and of the Morgan Guaranty Trust Company, concerning a proposal which Love was making for a resolution of the City's fiscal problems. In the memorandum, Love demonstrated a thorough understanding of the City's fiscal problems:

1/ Id. at 135.

2/ Division Exhibit (Epley) 5, at 2.

It seems to be inescapable that any long-range solution of New York City's financial difficulties will involve, among other things, the identification of a workable method whereby the huge amount of the City's recurring short-term indebtedness can be refinanced and extended over a longer period of time . . . .

In order to accomplish this debt restructuring outside the City's constitutional debt limit — which is already narrowly close to the legal limit and, therefore, must be prudently conserved — the most probable instrument would be the creation by the legislature of a public corporation for this single, emergency purpose and with broad powers and authority to deal effectively with the problem . . . .

The corporation would be empowered to borrow money from any source, public or private, and would be authorized to issue its bonds and notes ('securities') to evidence the same. The securities could run for periods of, say, up to twenty years. The proceeds of the sale of securities would be required to be paid over to the City in trust, and could be used by the City solely for the purposes specified in agreements entered into by and between the corporation and the City.

The corporation would be authorized, as a condition precedent to making loans to the City, to obtain certain contractual commitments from the City. These commitments would call for fiscal and financial disciplines upon the City of a nature designed to assure that the efforts of the corporation in raising funds for the City would be effective to

(i) discharge the legislative functions and implement the policies and purposes for which the corporation was created, and (ii) bring about financial stability and fiscal responsibility in the administration of the affairs of the City.

The legislation, by way of example only, would require and authorize the City to agree with the corporation that, so long as any of the securities of the corporation were outstanding and unpaid, the City would not

(a) contract indebtedness for the purpose of funding recurring operating expenses;

(b) enter into further commitments to other public corporations, such as UDC, HFA, Battery Park City, etc., for the furnishing of facilities and services for City-related purposes;

(c) incur bonded indebtedness to finance leases of properties and facilities; and

(d) resort to certain budget balancing 'gimmicks' practiced in the past, such as anticipating water and sewerage charges in advance, and anticipating the receipt of certain revenues when the expectation of such receipts is questionable. 1 /

Further indications of Wood Dawson's awareness of the City's fiscal problems are discussed below in the White & Case portion of the report.

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1 / Division Exhibit (Love) 8, at C-4.

D. WHITE & CASE

White & Case, a newcomer in February 1975 to the practice of bond counsel for New York City's securities, quickly assumed a highly important role in New York City's finances during February and March 1975. In one month, White & Case became involved in virtually every aspect of the City's financings. They acted as (a) bond counsel; (b) underwriter's counsel; (c) syndicate counsel; and (d) Financial Community Liaison Group counsel.

White & Case is one of the largest law firms in the country. It has a multi-faceted practice covering many areas of the law. Nevertheless, prior to Februay 1975, they had not acted as bond counsel with respect to general obligation bonds. Some work had been done on industrial revenue bonds in the 1960's.

Although the firm may not have been familiar with the procedures employed by municipal bond attorneys, they were not ignorant of the impact of the federal securities laws upon the sale of municipal securities. Marion J. Epley, one of the attorneys in the firm who had worked on industrial revenue bonds, knew that municipal securities -- all municipal securities -- were not exempt from the anti-fraud provisions of the securities acts. 1/

Epley was the partner in charge of the work performed by the firm in connection with the New York City matters. A number of other members and associates of the firm became involved at various points.

1/ Testimony of Marion J. Epley, III, at 15.

Epley has had extensive experience in the field of corporate securities. He has represented many companies that have made public offerings and is conversant with the duties of underwriters, issuers, experts, and attorneys under the securities laws. 1/

Below is a chart showing the three offerings made by the City of New York during March 1975 in which White & Case was involved:

Date of Issue	Type, Rate and Amount	Managing Underwriters
March 5, 1975	RANs: $140,000,000 (at 7.25%) due March 20, 1975	Private Placement with consortium of New York Clearinghouse Banks; managed by Chase.
March 14, 1975	BANs: $537,270,000 A. $346,270,000 for limited Profit Housing Companies Projects (at 8.10-8.75%) due September 11, 1975 and March 12, 1976 B. $41,000,000 for Low Interest Loans to Owners of Existing Multiple Dwellings (at 8.10-8.75%) due September 11, 1975 and March 12, 1976 C. $150,000,000 for Capital Improvement Projects (at 8.75%) due March 12, 1976.	Morgan Guaranty, Bankers Trust, Salomon, Merrill Lynch, in association with Chase, First National City Bank, and Manufacturers Hanover; managed by Chemical
March 20, 1975	RANs: $375,000,000 (at 8%) due June 30, 1975	Morgan Guaranty, Chase, Bankers Trust, Chemical, Manufacturers Hanover, Salomon, Merrill Lynch, Ehrlich-Bober; managed by First National City Bank.

1/ Id. at 10-11.

1. The Initial Retainer

White & Case's view of the role of the bond counsel was broader than the view of Wood Dawson:

> [This] ... is not to say that I thought or think that bond counsel can simply employ tunnel vision focusing on the tight legal issue of the validity or legality or (sic) notes without considering and consulting with their clients on other matters. 1/

White & Case began its first involvement in the area of general obligation municipal securities in mid-February 1975. At that time, it was asked by Bankers Trust to act as bond counsel on behalf of a syndicate headed by Bankers Trust that was about to bid upon $260 million of Tax Anticipation Notes of the City.

Bankers Trust submitted two bids on behalf of the syndicate for two parts of the aggregate offering: one for $100 million and one for $160 million. Bankers Trust's bid was successful only as to $100 million. Chase submitted the successful bid for the remaining $160 million. The Bankers Trust syndicate consisted of six principal underwriters: Bankers Trust, Chemical Bank, Merrill Lynch, Salomon Brothers, Bank of America and Morgan Guaranty Trust Company. The opinion that White & Case was to furnish would be addressed to the entire Bankers Trust syndicate.

From the time that White & Case first agreed to accept the retainer, a number of associates and Epley began their review of the relevant statutes. 2/ Associates visited the offices of Russell Aldag of the City's Division of Municipal Securities to examine prior closing transcripts of proceedings in order to learn what background documents would

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1/ Testimony of Epley at 180.

2/ Id. at 28.

be necessary for the closing of the TANs. Memoranda were prepared on aspects of the Local Finance Law.

2. Wood Dawson and White & Case - late February to late March 1975

On February 24, 1975, the City sold and delivered $170 million in RANs to the New York City Clearinghouse Banks. 1/ The RANs were four-day notes, an extraordinarily short maturity date even for New York City which had a constant need to roll over its huge short-term debt. As McCormick was to explain later, these notes were issued because "there was evidentaly [sic] some question as to whether or not the City's bank accounts were overdrawn." 2/

Wood Dawson provided the approving opinion to the City for these RANS in the evening of February 24. It was clear then that the City was

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1/ The New York Clearinghouse is a voluntary association of banks located in the City. The object of the association, as stated in its constitution, is "the effecting at one place of the daily exchange between the members thereof and the settlement of the balances resulting from such exchange." There are eleven members, as follows: The Bank of New York, The Chase Manhattan Bank, Citibank, Chemical Bank, Morgan Guaranty Trust Company of New York, Manufacturers Hanover Trust Company, Irving Trust Company, Bankers Trust Company, Marine Midland Bank, U.S. Trust Company of New York, National Bank of North America. The National Bank of North America did not participate in this offering.

2/ Testimony of LeRoy Love, at 193.

experiencing severe financial dislocations. Wood Dawson, however, did not conduct any further investigation. They followed their usual procedures: prepared a requisition letter; prepared blank certificates; and furnished their opinion in connection with the sale. The opinion itself was in standard form, without limitation or qualification. 1/ Fortunately, the notes were pre-paid by the City one day later. But the problems did not abate. They were just beginning to surface.

On February 26, matters became more complicated. A closing was to take place the following day for the delivery of certificates representing $141 million in serial bonds to a syndicate headed by the Chase Manhattan Bank. And another closing was to occur two days later on February 28 with respect to $260 million in tax anticipation notes which were tentatively accepted by two syndicates: one headed by Chase and the other headed by Bankers Trust. The bond sale did in fact close, with Wood Dawson acting as bond counsel. The TAN sale did not, because in essence, White & Case acting as co-bond counsel with Wood Dawson, requested more current information than had usually been obtained concerning anticipated taxes outstanding against which the City proposed to issue the TANs.

1/ This RAN offering was issued in anticipation of certain proceeds, including $260 million to have been received by the City from a proposed sale of TANs to have taken place February 28, and which was, in fact, not consummated. The Local Finance Law of New York State, however, does not appear to permit the issuance of RANs against the proceeds of TANs. There is, therefore, some question as to the legality of this February 24 RAN sale.

On February 26, there were three meetings at the office of Wood Dawson. The first was with Alexandra Altman, an attorney for the Bureau of the Budget of the City. She was there to provide the firm with certain information concerning the aggregate outstanding debt of the City's public benefit corporations. This concern was prompted by the Wein litigation. The complaint in Wein alleged, among other things, that the City had surpassed its constitutional debt limit. Wood Dawson wanted to satisfy itself through the help of Ms. Altman and a certificate from the Bureau of the Budget Director, Mel Lechner, that even if all debts of public benefit corporations were charged to the City's debt limit, the limit would still not be exceeded.

Even though many questions were raised during this time, Wood Dawson did not expand their procedures. The usual opinion of the firm was delivered to their client, Chase, in the evening of February 27 for the serial bond offering. 1 / Because of the Wein litigation, Chase asked the firm to issue a supplemental opinion. Wood Dawson complied with an opinion dated February 27, 1975, reciting that the

> . . . Issue of February 15, 1975 will not be held to be void as being in excess of the constitutional debt limit of the City of New York.
>
> In rendering this opinion we have, among other things, relied upon the annexed certificate of the Director of Management and Budget of the City of New York and attachments thereto. 2 /

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1 / February 27, 1975, opinion by Wood Dawson.

2 / Division Exhibit (Love) 6.

The two other meetings at Wood Dawson's offices on February 26 concerned the proposed $260 million TAN offering. At both meetings, it was White & Case's position that the City's certification regarding the collected tax receipts had to be updated to the time of the proposed closing for the TANs. The City's prior practice was to issue certificates providing information as of a date two to eight weeks before the closing. Wood Dawson had in the past always accepted the City's certificates without requesting up-dates. It was Wood Dawson's position that the requirements set up in the Local Finance Law for certain revenues to support the issuance of the tax anticipation note was simply "a measuring device" and that ". . . if the City certified to us the records required to be kept by the City code, we were entitled to rely thereon for the purposes of rendering our opinion." 1 / For the TAN offering, the City had provided a certificate dated January 30, although closing was to take place February 28. The issue arose because White & Case had been told on February 25 by an "accountant from NYC" that there might be insufficient revenues against which the TANs were to be offered. 2 /

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1 / Testimony of LeRoy Love, at 203.

2 / See Eide Ex. 3; Memorandum for the files, NYC February TAN Issue, Richard Peters, March 27, 1975, at 8. These figures may have been provided by Sol Lewis. Altman testimony at 87.

The 28 day period was indeed significant. January 30 was the day before the expiration of a 30 day grace period for the payment of real estate taxes which were due January 1 by owners of real estate within New York City.

Q. How current was the certificate that was being questioned at that point in time [by White & Case]?

A. (By McCormick) It was probably--the date was four or five weeks prior to the sale--to the delivery date. That's a rough estimate . . .

Q. Was there any significance to the date upon which the figures were given?

A. The City maintains that that's as of the end of the month; where they had so-called audit figures, and that any figures after the end of the month were so-called raw figures upon which the Comptroller could not certify.

Q. Was it the City's practice to give this authorizing certificate as of the end of the month?

A. I can't say it was the City's practice, no.

Q. In connection with the note offerings that you worked on, was it their practice?

A. I don't think it was their practice necessarily, no.

Q. Was there any significance attached to the date of that particular certificate?

A. Not to my knowledge.

Q. Would the certificates have been different if it were dated several days later?

A. Well, the fact, I think it was established that if the certificate had been dated as of February 10th, they would not have adequate taxes against which they were issuing their notes.

Q. When was the fact established?

A. I just pulled that date . . . out of my head. I mean, it was sometime in early February.

Q. When did it become known to you that had the certificate been dated later there would not have been sufficient taxes against which the TANS could have been issued?

A. It came, it became known to us about two days before the notes were scheduled to be delivered and paid for.

* * *

Q. How is it that you became aware that there were insufficient taxes to support the proposed sale of the TANS?

* * *

A. . . . we were called by a lawyer from White & Case indicating that such a problem existed.

Q. If you had treated that sale as you would normally treat a TAN sale, would you have discovered the information he [Robert L. Clare of White & Case] gave to you?

A. Probably not, no.

Q. Why not?

A. Well, the certificate had been prepared by the City Comptroller using a date as of the end of the preceding month, as of which date uncollected taxes exceeded the amount of the note issue.

Q. So you would not have asked for a certificate beyond that date?

A. We had not asked in the past, no.

Q. And if the sale had gone forward you would have given your opinion?

A. I assume so. 1/

1/ Testimony of LeRoy Love, at 91-92, 93, and 110.

In efforts to resolve the problem raised by the apparent insufficiency of uncollected real estate taxes to support the proposed Tax Anticipation Note sale, Sabatine and Epley discussed the possibility of having a split closing whereby Bankers Trust would first close as to its $100,000,000 portion of $260,000,000 TANs, and Chase (Wood Dawson's client) would subsequently close on the balance. 1/

Messrs. Love, Sabatine and McCormick of Wood Dawson, Messrs. Wood (Comptroller's counsel), Lewis (chief accountant of the City) and Hartman (Corporation Counsel) and Ms. Altman (with the Budget Bureau) of the City attended the third meeting of February 26 at the offices of Wood Dawson.

> Mr. Lewis stressed the fact that the month-end figures had always been accepted in the past and that it was impossible to get figures brought down to the closing date. Mr. Lewis went into a detailed explanation of the difficulty involved in extracting the real estate tax collections from the J-73s.
>
> Mr. Epley then discussed the possibility of Bankers' closing prior to Chase. Messrs. Sabatine and Wood stated this would be fine with them. There was a discussion of when a new certificate would be filed, certifying the January 30, 1975 figure as of the closing date. Messrs. Wood and Dawson requested this type of a certificate. Both Mr. Epley and Mr. Sabatine agreed that there would have to be some certificate dated later than the 13th of February. Mr. Epley insisted on the closing date and Mr. Sabatine seemed to settle on the sale date.
>
> The meeting adjourned with the understanding that Bankers would close first and the City would file a new certificate. 2/

1/ Memorandum Re Bankers Trust Co./NYC Note Offering, prepared by John E. Osnato of White & Case, undated, at 2.

2/ Id. at 3-4.

The next day, February 27, Epley called Wood (Comptroller's counsel) to discuss the form of the supplemental letter to be delivered to White & Case by the chief accountant, providing updated information as to tax collections. 1/

White & Case did not insist upon the filing of any official certificate updating the January 30th certificate, apparently in deference to Wood Dawson's intention to rely on the January 30, 1975 certificate already furnished, provided that there was nothing in the "public record" as to later collections. 2/ The issue of updating the City's certificate with respect to the uncollected taxes supporting the proposed TAN sale caused White & Case and Wood Dawson to disagree.

> My recollection of the Wood Dawson position was that they affirmatively did not want any information more current than what had been provided as of January 30th.
>
> I was never able to fully understand why they would take that position as distinct from simply saying January 30 is okay with us and you don't have to update it.
>
> They went beyond that to say if it is updated we don't want to know about it. 3/
>
> Our position was that the local finance law stated that there had to be—there was a formulation in the local finance law that the tests of the validity of tax anticipation notes was the amount of uncollected taxes on the date of issue.

1/ Memorandum Re Bankers Trust Company, NYC Note Offering, prepared by Robert L. Clare, February 27, 1975, at 1.

2/ Memorandum for the files, prepared by Marion J. Epley, February 28, 1975.

3/ Testimony of Marion J. Epley, at 116.

> Our position was that the date of issue was the date when the notes were issued which would be February 28th and that we felt that we were entitiled to get either a certification of what the uncollected taxes were on February 28th or some indication of the order of magnitude of change from the most recent date to which a firm number could be attached.
>
> The meetings at Wood Dawson, both in the afternoon and the evening, were addressed principally to that topic 1/

When White & Case brought up the issue of the letter with Comptroller Goldin, he advised White & Case that, if the City were to issue such a letter, it would have to send a copy to Wood Dawson "regardless of any statements on their part that they had no interest in post-January 30th collections." 2/ Epley conveyed this view to Sabatine and asked Sabatine what his law firm's position would be if they should receive a copy of such a letter. After discussing the matter with the partners of the firm, Sabatine called Epley to tell him that "[Wood Dawson] . . . would not issue an opinion if they received a copy of the proposed letter to White & Case." 3/

On February 27, Sabatine advised Epley that, in municipal financings, everything is always "okay unless you ask questions," and, further, that failures to analyze statutes or other documentation are not significant in municipal financing since there is "generally plenty of fat all

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1/ Id. at 115-116.

2/ Memorandum prepared by Marion J. Epley, February 29, 1975, at 3. (Hereinafter cited as Epley memo 2-28-75)

3/ Id. at 4.

over the place." 1/ This viewpoint put Epley and other members of White & Case on their guard. Further checks were made by White & Case's attorneys to reassure themselves that all matters were properly documented.

In the evening of February 27th, at a meeting in the Comptroller's office, attended by City representatives, representatives of the Chase group, representatives of the Bankers Trust group, Epley of White & Case, and members of Wood Dawson, Comptroller Goldin referred to the fact that this was White & Case's first participation in a municipal bond financing, and ... "expressed perplexity at the fact that [White & Case] was unwilling to accept the customary documentation in such transactions," and "demanded to know why White & Case was unwilling to be 'reasonable'". 2/ Labrecque of Chase, in response to an expression of "dismay [by a City official] at the fact that anyone would challenge the long-standing precedent and documentation for such financings," responded that precedents regarding acceptance of documents were "irrelevant," referring to cases in which underwriters were "sued for failure to make a proper investigation." 3/

Epley stated:

> . . . perhaps since Mr. Lewis seemed to have access to those numbers, they might provide the basis for some sort of certificate or other documentation from the City as to the amount of uncollected taxes. At

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1/ Epley memo 2-2-75 at 9.

2/ Id. at 7.

3/ Id. at 8.

> that point the Comptroller stated quite firmly that the [Post-January 30] numbers that Mr. Lewis had provided my people were not reliable and were not supportable. 1/

At one point Epley asked Sabatine to state the relevant section of the Administrative Code so that the legal basis for Epley's request could be underscored. This section provides that the City must make daily postings of all collections it receives concerning tax receipts and must also make daily reports to the Comptroller. (Section 415(1)-6.0) This being said, the City representatives "seemed stunned" by the existence of the provision. 2/ The reports -- the so-called "J73s" -- were received daily by the Comptroller from various collecting offices. The Chief Accountant was not familiar with how current the actual postings were. 3/ The balance of the meeting concerned the ability of the City to provide information required by White & Case and possible solutions to the problems posed by what Comptroller Goldin deemed to be an unprecedented demand. 4/

On the morning of February 28th, there was another meeting among Representatives of Bankers Trust Company, White & Case, Wood Dawson, certain City officials and others. This meeting was designed to demonstrate to White & Case that there were, in fact, sufficient tax receivables yet uncollected which would support the proposed $260 million in tax anticipation notes.

1/ Testimony of Marion J. Epley, at 130.

2/ Memorandum to the Files of Marion Epley, February 28, 1975.

3/ Id. at 7 and 8.

4/ Id. at 8 and 9.

At this meeting, City officials were unable to persuade White & Case that there was any sound basis for departing from the Admininstrative Code and procedures normally utilized in providing comfort to attorneys who furnish opinions on commercial transactions. Sol Lewis tried to convince White & Case that their requests for assurances were at variance with prior practice of bond counsel. 1/

Lewis described how the practicalities of the City's accounting system had to be accommodated notwithstanding certain legal requirements. He averred that any attempt by new bond counsel, White & Case, to try to conform traditional accounting practices of the Comptroller's office to the letter of the Local Finance Plan would be highly unreasonable. He represented that even though figures could not be produced in accordance with the Administrative Code, the notes would be paid when they fell due, just as they had always been paid in the past. Lewis defended the City's accounting system by analogizing to driving a car or filing a tax return: One does not exactly follow the law; however, one stays within the spirit of it. 2/

Lewis admitted:

> daily collections were entered into the ledger only once a month, and that in the past bond counsel had always understood this and thus accepted certified figures for a date at the end of the month prior to the sale without further questioning. 3/

1/ Memorandum prepared by Richard Peters of White & Case, March 27, 1975 at 3.

2/ Id. at 4 and 5.

3/ Id. at 3.

Lewis furnished Robert Clare of White & Case with information which confirmed prior practices of bond counsel, but which Lewis hoped would show how illusory the updated certificate problem really was:

> Sol [Lewis] said he or the comptroller would be glad to certify that there would 'be cash on hand to pay the notes as they fall due just as there always had been such cash in the past'....
>
> Sol [Lewis] produced a file of several prior monthly budgetary statements of the City which showed that at certain points in time there were outstanding in aggregate principal amount of TANS in excess of real estate taxes then receivable. 1/

Lewis did not provide White & Case with hard numbers. Instead, he went into a long explanation of the "J73" forms upon which daily collection reports were made to various local collection offices of the Comptroller's office. There were several hundred of these reports per day, he said, which were available in unaudited form for the parties to examine. 2/

To satisfy White & Case, Lewis offered to show the forms to them for their own inspection:

> Sol [Lewis] claimed that he could never stand behind an estimated figure and that in the past bond counsel had always understood this problem and thus accepted the month-end figures. White & Case had now raised what he believed to be an unreasonable request. However, he said that his people were there to provide us with what we needed; that is, that he was prepared to 'give you the J-73's, explain the coding, give you adding machines and let you reach your own independent conclusions'.3/

1/ Id. at 3 and 4.

2/ Id. at 6.

3/ Id. at 6.

Not wanting to assume the responsibility for auditing the figures, White & Case declined the offer, asking instead for the "best bottom line figure" that the City could give with respect to collections through February 28, 1975. 1/ Lewis then refused to provide any figure whatsoever because, as he said, the City could not stand behind any number for the February collection. When Lewis was pressed as to why he had been able to provide estimated February collection figures several days earlier (February 25), but was unable to do so now, Lewis replied: " . . . If I knew what you intended I would have never provided them. I cannot and will not provide February figures on any basis." 2/ White & Case wanted to end the meeting if figures would not be provided. Lewis stalled, arguing that they should wait for the arrival of Bill Scott, Third Deputy Comptroller, who would solve the problem. 3/

Scott arrived later in the morning. Scott said that he was worried that the City might be put in the apparent posture of being unwilling to cooperate. 4/ At that, Scott "ordered" Lewis to perform the review of the J-73's which Lewis himself had refused to do all morning and the previous day. Lewis then left the room to carry out Scott's orders. Thirty minutes later Scott called Lewis to accelerate the work he was performing.

> At about this time, John Osnato [White & Case associate] raised the possibility with me [Peters] that this entire meeting was pre-rehearsed in an attempt to set up [White & Case] as being unreasonable. I tended to agree with John. After discussing this with Bob Clare [another White & Case associate] John left the room to call Jay Epley to bring him up to date on this development. 5/

1/ Id. at 7.

2/ Id. at 8.

3/ Id. at 10.

4/ Id.

5/ Id. at 13.

Two City accountants then came to the meeting room and explained how they would normally review tax collections taking the J-73s for February 4 and 6 for examples. Each of the J-73s used as an example had already been underlined and marked, which led the White & Case attorneys to the conclusion that the work had been previously carried out despite assertions to the contrary by Lewis. 1 / Having seen the sample J-73s, Peters, Osnato and Clare left the Municipal Building with Sabatine to give the City's accountants time to perform their review. On the way out, Sabatine remarked to them that he already knew that the City would run into problems on the figures somewhere between February 6 and February 13. 2/

A second meeting on February 28 was held at the Bankers Trust Company among the five managers of the Bankers Trust syndicate (excluding Bank of America) and additional counsel for these firms. At this meeting, a decision was reached: the syndicate would not accept delivery of the notes.

Ultimately, the proposed TAN sale was aborted. Comptroller Goldin states it was cancelled because, of "a sudden demand by the underwriters unprecedented in the history of the City for data which could not physically be compiled, checked and certified in the short time available." 3 /

1/ Id. at 14.

2/ Id. at 15.

3/ Press Release of the Office of the Comptroller, February 28, 1975.

3. Expansion of the White & Case Retainer

As a result of White & Case's investigation efforts in the proposed $260 million TAN sale, they had the consolidated support of the banks to act as bond counsel for future offerings.

On March 1, when a bridge loan was announced for $140 million of Revenue Anticipation Notes, maturing in 15 days, between the City and a consortium of ten City clearinghouse banks led by Chase, White & Case was appointed bond counsel. The sale was made on March 5. The TANs were not distributed to the public, but rather were held by the Clearing-house banks until maturity on March 20.

Epley believed that he made his position clear to the syndicate during the first week in March that the individual banks were to look to their own counsel for advice concerning disclosure of the implications of the Wein suit:

> . . . conversations dealing with the topic of the possible inconsistency or conflict if you will between bond Counsel for syndicate and underwriter's Counsel for syndicate, arose . . . Out of statements which I had made in meetings at Chemical to the effect that White & Case in the BAN transaction for the Chemical syndicate was acting as bond Counsel for the syndicate but were not purporting to advise the syndicate with respect to any other obligations they might have with regard to publicizing the implications of the Wein suit or other matters, and that it should be understood by all of the syndicate members that they were looking to their own counsel in that regard. 1/

White & Case maintained that their involvement in many of the events and meetings of early March resulted from their retainer by Bankers Trust and the syndicate, and not from any formal or informal understanding that

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1/ Testimony of Epley at 175.

they were then acting as underwriters' counsel. 1/ There was conflicting testimony on this point. Charbonneau of Chemical Bank asserted that White & Case was acting then as underwriters' counsel as well as counsel to the syndicate. 2/ Epley demurred. Asked whether he considered it within the scope of his retainer to pass upon the question of what information should be disclosed by the underwriters to their customers in connection with the BAN offering, Epley responded: "Only with regard to Bankers Trust Company as the others were represented by Counsel of their own." 3/ Somewhere, there was a failure of communication.

It was during the second week in March that the identity of the firm's clients began to crystallize, and with it, the range of responsibilities began to expand. Epley testified that on March 10 the firm announced at a meeting of the syndicate that it would assume the dual role of syndicate counsel and underwriters' counsel:

> . . . the concept of having a single Counsel representing the underwriting syndicate as a group as distinct from having each underwriter rely upon his own Counsel evolved in large part from the proceedings of the previous week. . . at the office of Chemical Bank on March 5th and 6th and I think various people concluded that it would be a more efficient and effective procedure if there were a single Counsel representing the underwriters as a group. 4/

1/ Id. at 173.

2/ Testimony of Herman Charbonneau, at 143-144.

3/ Id. at 177.

4/ Id. at 275-76.

Indeed, there was little that White & Case was not involved in concerning the City and the marketing of its securities. While it entered the scene on February 20, 1975, it soon acquired as much information (and probably more) about the City as had any other counsel in the past. The banks, the Financial Community Liaison Group, the broker-dealer syndicate members, all were looking to White & Case for help during a period rife with sophisticated problems.

Wood Dawson continued to play a role in the three March 1975 anticipation note offerings, although their role was a secondary one. They were instructed simply by Chase to "stick in there." 1 / Epley gave the following testimony on this point:

> My recollection is that their presence was explained in terms of there having originally been two separate syndicates proposing to bid on the BANS, and that Chase had headed the non Chemical syndicate, and had retained Wood Dawson in that connection, but that by the time this meeting convened on March 5th, the syndicates had combined, that Chemical was to be the lead manager of the combined syndicate, and that we had

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1 / Testimony of LeRoy Love, at 73.

> been retained by Chemical on behalf of the entire syndicate.
>
> However, Wood Dawson did remain present, I think, both at the March 5th and March 6th meetings. 1/

In fact, Wood Dawson attended many meetings during the first two weeks of March 1975 with White & Case and had numerous phone conversations with City officials, underwriters and representatives of White & Case. Wood Dawson's participation was very much equivalent to what they would have done had they been appointed attorney of record by the purchasing syndicates. They assisted in the work performed by White & Case, they offered suggestions to White & Case and the City officials, and they prepared memoranda relating to the proceedings. Their role was very little different from White & Case's role. Wood Dawson continued to advise Chase and rendered an opinion to Chase regarding one note sale.

A series of meetings that took place on March 5, 6, 7 and 8 were attended by Love, Sabatine and McCormick. These meetings were again of critical importance in dealing with the growing City fiscal crisis. The immediate concern was the upcoming RAN and BAN sales in the aggregate amount of $1.052 billion dollars to be sold in less than 15 days.

There were two meetings at Chemical Bank which members of Wood Dawson attended on March 5 and 6 with a large group of underwriters. As Sabatine put it:

1/ Testimony of Marion J. Epley, at 417.

> It's that dreadful day that we all sat over at [Chemical Bank] . . . that we stewed over the White & Case — the form of White & Case opinion, and in the afternoon we stewed over disclosure . . . . [i]n the evening, we stewed over what wording the City of New York would have to say regarding the sale. 1/

Wood Dawson worked with White & Case during this period in grappling with the issue of disclosure which was raised again and again at the meetings. While it is not clear who first raised the issue (both Sabatine and Love had no recollection of these matters) it is apparent that both firms were trying to deal with its resolution. 2/ On March 5, 1975 Wood Dawson and White & Case prepared a series of unique questions to be propounded to the City. The firms were asking for information on:

(1) Pension obligations of the City:

(2) Reasons for exclusions of indebtedness from the debt limit;

(3) Amount of housing indebtedness that had been switched from one debt limit to another;

(4) Remaining borrowing authority for revenue anticipation notes; and

(5) Use of proceeds of anticipation notes. 3/

1/ Testimony of LeRoy Love, at 219.

2/ Id. at 219.

3/ Div. Ex. (Love) 18.

These questions were an important and serious departure from prior practice. They were truly a benchmark in bond counsel - client relationships, because they signaled the first time in which bond counsel was making an active investigation of matters concerning the City's fiscal position in connection with a municipal securities sale.

The series of questions prepared by the two firms led to the drafting of a press release by Wood Dawson, White & Case and others to be issued by the City on March 7 in connection with the sale of the $537,270,000 bond anticipation notes on that day. The release was also a milestone in that it represented the first step towards an attempt to make disclosure of the City's precarious fiscal position.

Love described the discussions at the drafting session:

> . . . there was a wide spread concern -- a general concern per (sic) — it was pervasive, that under the circumstances of that offering, something more than the customary disclosure with respect to the financial affairs of the City of New York would be necessary in order to underwrite the offering . . . [g]enerally, as I recall, it was a type of disclosure that was to emanate from the issuer, that is, the City of New York would put on notice all those who might, from time to time, become the holders of these particular securities, the character of the financial difficulties that the City was then undergoing. 1/

But the press release fell far short of full and adequate disclosure. It only made a brief allusion to the City's financial problems by noting the "relatively high rate of interest" on the notes and stating:

1/ Id. at 236.

> While solution of the City's fiscal problems is not an easy matter, Comptroller Goldin expressed his confidence that the City would, when the time comes, be in a satisfactory legal and fiscal position to sell bonds to fund these notes. 1/

The parties present at the meetings were aware of the requirements of the antifraud provisions of the Securities Exchange Act:

> Q. Do you recall whether or not there was any talk of disclosure being required pursuant to the Securities Acts?
>
> A. Well, not particularly but I did certainly hear the phrase 10b-5 being thrown around rather recklessly that day.
>
> * * *
>
> Q. What did that phrase mean to you at that point in time?
>
> A. . . . with respect to material information that should be made available in the offering of securities.
>
> Q. Did the people at that meeting feel that information had to be disseminated to the investing public to satisfy their requirements of the 10b-5?
>
> A. As I recall, no one suggested that at that point in time it would be possible to put together an official statement as such term is understood in the industry, and that the cause of the awareness, of at least the media, of the financial difficulties under which the City was laboring at that point, their -- those securities might be underwritten with a widely publicized statement that might, I suppose, fall short of the preparation of a definitive official statement. 2/

1/ Press Release of the Office of the Comptroller, No. 75-31, March 7, 1975.

2/ Testimony of LeRoy Love, at 237-238.

Disclosure was a principal topic of discussion at the meetings and both Love and Sabatine contributed their views. Said Sabatine:

> . . . I was probably asked questions about disclosure and I probably responded to them. What I said basically I don't recall. 1/

Yet, in spite of the general awareness of the antifraud provisions of the securities acts, Wood Dawson admittedly "advised" Chase on "the form of statement for release by the City Comptroller used in connection with marketing the notes," 2/ and assisted White & Case in the preparation of a press release which was far from a description of the City's fiscal situation. In that press release there was not even a rudimentary description of the problems besetting the City and the risks attendant upon an investment in the securities being offered.

The issue of investigation of the City's figures was raised in connection with the future issuance of revenue anticipation notes against questionable budget appropriations. Wood Dawson expressed their view at the meeting that as long as the City maintained it had authority to issue revenue anticipation notes based on budget appropriations, underwriters had no obligation to look behind the City's certified statements unless they have a definite reason to suspect "hanky panky". 3/

1/ Id. at 243.

2/ Div. Ex. (Love) 25.

3/ Div. Ex. (Love) 20 at 3-4.

The preparation of the Report of Essential Facts (the "Report"), a document disseminated to the public by the City beginning March 13, 1975, was yet another benchmark for the City because it constituted the first time any sort of a disclosure document had ever been prepared for the public investor in connection with the sale of the City's notes. 1/ The City had, in the past, prepared, in conformance with a State regulation, a several page document used in the sale of its bonds which was both a Notice of Sale and Report of Essential Facts, but it was not disseminated to the public and it contained barebones financial data.

The Report represented a collegial effort to provide disclosure regarding the City's finances to prospective investors.

> Development of the statement involved a high degree of cooperation among staff of the Office of the Comptroller, the Bureau of the Budget, White & Case [bond counsel to the underwriters] and a task force made up of members of the Staff Committee including: Roy Anderes, Bankers Trust; William Solari, Donaldson, Lufkin; Chester Johnson, Morgan Guaranty; John Thompson, W. H. Morton; Jac Friedgut, Citibank; and Jim O'Sullivan and Walter Carroll, Chase. 2/

This Report contained a schedule of anticipated borrowings, and cash flow projections. It contained information regarding some $3 billion in outstanding RANS without explaining that a significant percentage had been issued

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1/ Letter to Richard Kezer from Marion J. Epley, April 17, 1975.

2/ Division Exhibit (Epley) 10.

against uncollectible revenues. 1/ Epley, in responding to a series of questions regarding the scope of the firm's retainer with respect to the $375 million RAN which was bid upon March 14 and delivered March 20, stated:

> It was to assist the underwriters in participating with the City in the preparation of a document of the City containing relevant information to be disseminated in connection with the sale of [$375 million] revenue anticipation notes. 2/
>
> . . .[I]ts use in connection with the delivery out of the BANs was simply an additional use to which it was put because it had become available by the time those deliveries were made. 3/

The decision to prepare the Report was reached at the Saturday, March 8 meeting at Chemical Bank among the managers. John Osnato was there for White & Case "to act as an observer" 4/ pursuant to a request that White & Case send someone to the weekend meetings. Said Epley:

> My only recollection of [Osnato's report to me] is that White & Case had been asked to state our position with respect to feasibility with preparing some sort of disclosure document for use in connection with public offerings of securities by the City and our views as to the nature of this sort of investigation which might be appropriate in connection with the preparation of such a document on behalf of the underwriters. (Emphasis added). 5/

1/ Office of State Comptroller. Report on New York City's control budgetary and accounting system. Report No: 3-76 at 2.

2/ Testimony of Marion J. Epley, at 266.

3/ Id. at 232.

4/ Id. at 249.

5/ Id. at 250.

During this meeting it was White & Case's recommendation that the City use "some sort of information sale document" for all future City offerings, without defining the form it should take.

Whether a Report was viewed as an "information sale document" or a "disclosure document," there was no mistaking its use by the underwriters: to provide investors with some information regarding the City's finances to assist them in making an investment decision.

> The Report of Essential Facts] was to be supplied to persons whom the underwriters approached as prospective purchasers of the notes. . . in connection with the sale of the RANs. 1/

The Report was a nostrum, the inadequacies of which were never divulged to potential investors. During the week of March 10, White & Case assisted the Grossman Committee in the joint effort to put together the disclosure document:

> During the week of March 10th there were continuing discussions, both within White & Case and between White & Case and Grossman and other analysts in the underwriting syndicate and representatives of the City as to what sources of information were available and what sort of information would appeal to be appropriate for disclosure in the documents to be used in connection with the sale of notes. 2 /

According to Epley, White & Case acted primarily as an organizer of information furnished by several sources, without attempting to take active part in the drafting process:

> The City was responsible for the preparation or publication of all of the information contained in the Report of Essential Facts. They supplied information, which was reviewed by the bank analysts, and which we read.

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1 / Id. at 370.

2 / Id. at 267.

> We attempted to coordinate comments, suggestions, recommendations, from the bank underwriter, analyst personnel, and convey those to the City. 1/

They were also a liaison between all groups.

> We reviewed material as it was forthcoming from the City, asked questions and suggested comments or changes which we felt appropriate. 2/

Responding to the question of whether White & Case ever requested the City to include additional information in the Report, Epley gave this answer:

> To the extent that suggestions may have been made to us by Mr. Grossman or others in the analysts group, or to the extent that information furnished by the City appeared to raise questions or suggest further information which might be relevant, I and persons at White & Case may have done so.
>
> I have no recollection. 3/

While Epley disavowed any responsibility for the accuracy or adequacy of the Report, he did acknowledge that the firm had a clear responsibility to make efforts to ensure accuracy and adequacy:

> Neither our firm nor any law firm about which I am familiar assumes legal or other responsibility for the adequacy or accuracy of disclosure documents as distinct from Counsel with their clients seeking to make those documents as accurate and as complete as possible. 4/

1/ Id. at 485.

2/ Id. at 357

3/ Id. at 369

4/ Id. at 238.

White & Case's research was on-going, with important results. An important discovery of the research was that the "first lien" guaranty, widely believed to be ironclad and referred to in the City's notices of sale for the March 1975 offerings, did not apply to anticipation notes at maturity. 1/ White & Case was aware of this information prior to the sale of the RAN offering of $375,000,000 that was bid upon March 14, 1975. 2/ However, there was no disclosure of the first lien exception in connection with that offering. 3/

1/ According to the New York State Constitution, the obligation to make repayment of principal and interest on the City's notes and bonds constitutes a first lien on all City revenues, giving investors strong assurance of the security of their investment owing to the multiple debt service coverage produced by City revenues. There is, however, an important exception to this constitutional protection: The City is not required to annually appropriate monies to retire the principal of anticipation notes, although it is required to appropriate sums to service the interest. It appears that the State Constitution does not require the City to set aside "first revenues" to redeem revenue and tax anticipation notes until five years from the date of issuance. With respect to bond anticipation notes the State Constitution does not appear to specify a right to "first revenues" even after five years. New York Constitution Article VIII, §2. For a discussion of this provision see Washburn v. Goldin, New York Law Journal, January 6, 1977, at 10.

As far back as 1971 Wood Dawson was aware of serious questions concerning the first lien exception. Letter from George K. King of Wood Dawson to Jules Merron, July 23, 1971; Testimony of Alexandra Altman, at 116, et seq.

2/ Testimony of Marion J. Epley, III, at 57.

3/ Id. at 441.

An undated memo written by a White & Case attorney discussed the first lien exception:

> I called Sandy [Alexandra] Altman to discuss the "first lien" Language in Article 8, Section 2, of the New York State Constitution. I told her that it appeared BANS were not covered in that Section and yet the Notice of Sale for the March issue contained the first lien language. Sandy was aware of the problem and stated that the Notice of Sale and advertisements contained "a lot of loose language." She said that the gap in Article 8, Section 2 may have been filled by the fact that the underlying bonds have a first lien. She also stated that the first lien language had been dropped from the Notice of Sale for RANS and TANS at the request of either Hawkins, Delafield or Wood Dawson. 1/ She stated that she was not the proper person in the City to get this information from and told me to call Ken Hartman.
>
> I called Ken Hartman today and he was also aware of the problem. He suggested that it appeared the BANS were excluded from the first lien language. He stated that there were a lot of problems in Notices of Sale and with the use of the first lien language generally. He further felt that if the City continued to use first lien language it could "get blown out of the water." He said he would do some further research in the area and get in touch with us (he said his research would concentrate on the Vanderzee case). 2/

Nonetheless neither the Report of Essential Facts nor its amendments contained any clarification or elaboration of the absence of first lien.

1/ In fact, these Notices of Sale did not drop the first lien language.

2/ See White & Case Memorandum to the files. White & Case has advised the staff that the memorandum was prepared in Mid-April, 1975.

The banks were very concerned about the disclosure issue. Epley described on the record a conversation which he had with Charles Sanford of Bankers Trust around March 24 regarding these questions:

> In the course of [the March 24] conversation, what I did was outline for Mr. Sanford the groundrules under Rule 10b-5 for trading in securities.
>
> What I told him was that, if at any time he decided that whatever information or indications he might have with regard to developments affecting the City were such that they might later be found to be material, and further, were such as not to have been generally known to the public, he should recognize that trading after that point could result in a legal exposure.
>
> I learned sometime later, I would think perhaps sometime in April, that at some point subsequent to that conversation with Mr. Sanford, he had, in fact, made a decision to at least temporarily withdraw from the New York City market. I don't recall at anytime discussing with him either the making of that decision, or the factors which went into his judgment in making that decision.
>
> * * *
>
> I did not tell him that he had a problem or did not have a problem. I described for him the circumstances under which a problem might exist. 1/

One week later, on March 31, there was a large meeting at the Chase attended by Epley and many others including the principal representatives of the banks. Asked about this meeting, Epley described his position:

1/ Testimony of Marion J. Epley, at 459-61.

> [T]here was, to my perception, an extreme degree of uncertainty as to just what was going to occur with respect to the continuing ability of the City to raise funds in the public capital market, and amounts and timing raising that money. And the problems I was specifically referring to [in the memo summarizing the March 31 meeting], as I recall, was the difficulty, if not impossibility, of describing adequately a totally uncertain, fluid situation. 1/

At the March 31 meeting, Epley questioned whether it was at all possible to make full and fair disclosure of the City's problems:

> There was a discussion of the possibility of an underwriting of City notes to be sold and delivered on April 14, 1975. I advised the group that in our view any underwriting in which City notes were resold by the underwriters to the public would raise very serious problems of disclosure, and that the difficulties of the City might well render the achievement of adequate disclosure impossible. I also noted that in any event the disclosure required would probably cause serious marketing problems for any City notes. The bankers present emphasized that no decision as to any public sale had yet been made and confirmed their understanding that the disclosure problems might well be insoluble.
>
> Mr. Kezer of First National City Bank then raised a question as to trading in presently outstanding City notes including the $375 million of RANS offered several weeks ago. I told him that we had advised Bankers Trust that in view of developments since the issue date of those notes, sales at this point might give rise to 10b-5 liability by a selling

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1/ Id. at 457-58.

> underwriter. I told Mr. Kezer that we were therefore giving the same advice to all of those present and recommended that they consult their own counsel to the extent that they felt it appropriate. (Emphasis added.) 1/

The next day, April 1, Epley wrote a letter to Labrecque (of Chase) to summarize the conclusions reached at the prior day's meeting. A second letter, duplicate in all material respects save one, was sent to Ellmore Paterson (of Morgan Guarantee). A comparison of the two letters is revealing.

The April 1 letter contained the following:

> While it may be possible by updating and supplementing that Report [of Essential Facts] to satisfy the applicable legal requirements with respect to future underwritten offerings, we understand from our discussions with the Banks that the adverse information which would be required in such a Report would in all likelihood render the City securities unsaleable. 2/

The letter dated April 2 deleted that sentence and sustituted the following language:

> It may be possible by updating and supplementing that Report to satisfy the applicable legal requirements with respect to future underwritten offerings. 3/

Epley offered the following explanation of the deletion and change: According to Epley, members of the firm met on April 2 as a result of a phone call to the firm from Roy Haberkern (counsel to the Chase) which suggested consideration of two matters: (1) whether the April 1 letter signed

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1/ Division Exhibit (Epley) 19, at 2-3.

2/ Division Exhibit (Epley) 29.

3/ Division Exhibit (Epley) 30.

by Epley should have been addressed to Patterson, as head of the Clearing-house banks, instead of Labrecque, as representative of the prospective lead managing underwriter for the April note offering, in light of the fact that the issues discussed therein transcended any particular offering; and (2) whether the last sentence of the first paragraph should have been revised to make it consistent with the true position of the banks. 1/

The Report of Essential Facts of March 13 was used in connection with the offerings of BANs and RANs in March 1975. The inadequacies of the Report of Essential Facts are detailed in the staff's report on the role of the City and its officials. The press release of March 7 and the Report were misleading and were devoid of disclosure of the material uncertainties regarding the City's financial future; nor was there any disclosure of the City's financial condition, particularly the budget devices that had brought the City to the serious state of affairs that existed in March 1975. The press release and the Report of Essential Facts were provided to the purchasers of BANs and RANs in March of 1975 and were available to investors trading in the City's securities in the secondary market.

Despite the inadequacies in the March 7 press release and the Report, White & Case raised no objection to the issuance of either document. The position of White & Case is that other counsel were present to advise the underwriters on disclosure matters and that their role did not encompass objecting to the inadequacies of the March 7 press release and the Report. Essentially, White & Case submits that the judgments reached in March, 1975 were collective judgments of a large group of professionals and lawyers.

1/ Testimony of Marion J. Epley, at 492.

III. CONCLUSION

The practice of municipal securities law is little understood by other lawyers, and probably not understood at all by the investing public. Yet, it is a role so vital that, without the closely-worded opinion provided by municipal bond counsel, municipalities would be unable to secure the tens of billions of dollars of yearly financings which they seek from the public capital markets.

Until late February, 1975 bond counsel passing upon New York City securities did little if any independent investigation and relied almost exclusively on City officials. Even during the period when events began to point to a fiscal crisis, bond counsel did not critically analyze the financial information provided by the issuer.

Bond counsel were not expected to investigate the creditworthiness of the City. However, when put on notice of circumstances that called into question matters basic to the issuance of their opinion, bond counsel should have conducted an additional investigation. And bond counsel with knowledge of information material to investors should have taken all reasonable steps to satisfy themselves that those material facts were disclosed to the public. Even in the maelstrom of the City's difficulties, some bond counsel recognized the duty of participants in the distribution to disclose material facts — and so advised them. Unfortunately, there was a gap between the recognition of that duty and its implementation.

Of course, there are others who had a key role in the disclosure process, particularly the City and its officials. This did not relieve bond counsel of the duty to obtain background information substantiating their opinions, and to take reasonable steps to bring about disclosure of material facts which were known to them. If they had taken reasonable steps to bring about disclosure and if that disclosure had not been forthcoming, bond counsel should not have associated themselves with the offering.

The Commission has indicated in another matter (In the Matter of Jo M. Ferguson, Securities Act Release No. 5523, August 21, 1974), that when the role of bond counsel is expanded to include preparation of disclosure documents such as an official statement, bond counsel is obliged to see to it that all material facts that bond counsel knew or should have known are included in the official statement.

When testifying during the investigation, at least two bond counsel stated it would not be appropriate to issue an approving opinion if there was significant danger that the City could not pay the obligation when due. But, since bond counsel relied almost exclusively on information provided by officials of the City it appears they relied on chance to determine whether that danger existed.

Nor are bond counsel relieved of their obligations because some issues were discussed in the press. The City's problems were discussed in the press but these discussions did not constitute full and fair disclosure. Bond counsel knew or should have known this. Furthermore, investors are entitled to and did rely on participants in the process for full disclosure of material facts concerning the issuer.

APPENDIX A

Securities Issued by the City of New York
October 1974 - March 1975

Issue Date	Type of Security	Bond Counsel
10/18/74	$517,760,000 Various Purpose Notes	
	I. URNs $97,355,000	Wood Dawson Love & Sabatine
	II. BANs $420,405,000	
	A. $250,000,000	Hawkins, Delafield & Wood
	B. $170,405,000	Wood Dawson Love & Sabatine
10/15/74	$475,580,000 Serial Bonds	Wood Dawson Love & Sabatine
11/12/74	$615,000,000 Various Purpose Notes	Hawkins, Delafield & Wood
	I. RANs $500,000,000	
	II. TANs $115,000,000	
12/13/74	$600,000,000 Various Purpose Notes	Hawkins, Delafield & Wood
	I. RANs $400,000,000	
	II. TANs $200,000,000	
1/13/75	$620,000,000 RANs	Sykes, Galloway & Dikeman
2/14/75	$290,000,000 RANs	Hawkins, Delafield & Wood
2/15/75	$141,440,000 Serial Bonds	Wood Dawson Love & Sabatine
2/24/75	$170,000,000 RANs	Wood Dawson Love & Sabatine

2/25/75	$248,980,000 BANs	Corporation Counsel
3/5/75	$140,000,000 RANs	White & Case
3/14/75	$537,270,000 BANs	White & Case
3/20/75	$375,000,000 RANs	White & Case

APPENDIX B

TRANSCRIPT OF PROCEEDINGS

$290,000,000 The City of New York

Revenue Anticipation Notes

February 14, 1975

✓ 1. Copy of Charter of The City of New York (see master file.)

✓ 2. Certified copy of Delegation by the Mayor to the Comptroller to issue Notes.

✓ 3. Certificate authorizing the issuance of Tax Anticipation Notes.

4. Confirmation of Sale.

✓ 5. Certificate of Chief, Division of Municipal Securities, Office of the Comptroller as to compliance with Regulation XVIII.

✓ 6. Copy of bids received.

✓ 7. Certificate of Award.

✓ 8. Signature and No-Litigation Certificate.

✓ 9. Certificate of Delivery and Payment.

✓ 10. Specimen Note

11. Arbitrage Certificate with opinion of Corporation Cousnel.

12. Opinion of Hawkins, Delafield & Wood.

(SEE MASTER FILE)

CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK 7, N.Y.

I, ROBERT F. WAGNER, Mayor of The City of New York, exercising the powers of a finance board pursuant to section 8c of the New York City Charter, effective January 1, 1963, as amended by Chapter 998 of the Laws of 1962; and

Pursuant to Section 30.00 of the Local Finance Law of the State of New York, I hereby delegate to the Comptroller the power to authorize the issuance and the renewals thereof of Bond Anticipation Notes, Tax Anticipation Notes, Revenue Anticipation Notes and Urban Renewal Notes; and

Pursuant to Section 50.00 of the Local Finance Law of the State of New York, I hereby delegate to the Comptroller such powers and duties pertaining to the sale and issuance of obligations of The City of New York as are prescribed in Sections 57.00, 58.00, 59.00, 60.00, 62.00 and 63.00 of the Local Finance Law of the State of New York, and any other powers or duties pertaining or incidental to the sale and issuance of obligations; and

I hereby delegate to the Comptroller the power to prescribe the terms, form and contents of such Bonds and Notes

and pursuant to Section 61.00 of the Local Finance Law of the State of New York, I hereby authorize that all Bond Anticipation Notes, Tax Anticipation Notes, Revenue Anticipation Notes, Capital Notes, Budget Notes, Urban Renewal Notes and evidences of indebtedness to be issued to the State with respect to projects undertaken pursuant to Section 55.00 of the Public Housing Law be executed in the name of the municipality by the Comptroller with his manual signature or with his facsimile signature, duly authorized; or by a Deputy Comptroller with his manual signature, and shall be under seal of the City and attested by the City Clerk or his Deputy; and

I hereby authorize that all definitive serial bonds and corporate stock when required to be issued shall be in registered form or in coupon form, or both; the coupon bonds to be of the denomination of $1,000 each and/or of the denomination of $5,000 each, which coupon bonds shall be executed by the Mayor and by the Comptroller on behalf of the City, with their facsimile signatures duly adopted by them as their true and genuine signatures and shall be sealed with the common seal of the City and attested by the City Clerk or his Deputy, and the coupons attached thereto to be authenticated by the Comptroller, with his facsimile signature and the registered cert-

ificates thereof to be of any denomination that is a multiple of $1,000 and which registered certificates shall be executed by the Mayor and by the Comptroller with their facsimile signatures duly authorized, and shall be sealed with the common seal of the City and attested by the City Clerk or his Deputy; and

I hereby authorize that all serial bonds and corporate stock, when required to be issued in interim form pending the printing or engraving and delivery of serial bonds or corporate stock in definitive form, shall be executed in the same manner herein prescribed for the execution of definitive serial bonds and corporate stock issued in coupon form, and may be issued with or without coupons attached thereto.

MAYOR

New York, N. Y.
February 21, 1963

I HEREBY CERTIFY that the within authorization, consisting of three pages, is on file in the Office of the City Clerk.

City Clerk.

Dated: New York, N. Y.
APR 7 - 1965

HARRISON J. GOLDIN
COMPTROLLER
"Accountancy"

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MUNICIPAL BUILDING
NEW YORK, N. Y. 10007

TELEPHONE 566-

February 5, 1975

Hon. Abraham D. Beame
Mayor, The City of New York

Dear Mr. Mayor:

Pursuant to Section 30.00 of the Local Finance Law, I herewith transmit Certificate 29-75, which is to be filed with you, authorizing the issuance of $290,000,000 of Revenue Anticipation Notes on February 14, 1975, pursuant to the provisions of Section 25.00 of the Local Finance Law.

Yours truly,

First Deputy Comptroller

HARRISON J. GOLDIN.
COMPTROLLER

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MUNICIPAL BUILDING
NEW YORK, N. Y. 10007

TELEPHONE 566.

CERTIFICATE NO. 29-75

AUTHORIZING the ISSUANCE of REVENUE ANTICIPATION NOTES

I, SEYMOUR SCHER, FIRST DEPUTY COMPTROLLER of The City of New York, do hereby certify that, on February 21, 1963, the Mayor of the City of New York, exercising the powers of a finance board, pursuant to Section 8c of the New York City Charter effective January 1, 1963, granted to the Comptroller pursuant to Section 30.00 of the Local Finance Law, the power to authorize the issuance of Revenue Anticipation Notes which authority is still in full force and effect, and has not been modified, amended or revoked; and I further

CERTIFY that, in accordance with such authority and pursuant to the provisions of Section 25.00 of the Local Finance Law, I have authorized the issuance of Revenue Anticipation Notes as hereinbelow stated, and prescribed the terms, form and contents thereof, which Revenue Anticipation Notes are to be issued in anticipation of the receipt of moneys from the State or United States Government to become due in the fiscal year 1974-1975; the amount of such revenues as estimated in the annual budget for the fiscal year 1974-1975; the amount thereof collected or received, the balance thereof against which said Revenue Anticipation Notes may be issued, the amount of such notes to be issued hereunder and the amount of notes outstanding is as follows:

(In Millions)

Type of Revenue	Amount of Notes to be Issued	Estimated Amount in Expense Budget*	Collections	Notes Outstanding	Balance Against Which Notes may be Issued
State Aid	$290.0	$2,296.6	$401.1	$1,500.0	$395.5

*Excludes General Fund

CERTIFICATE NO. 29-75

and I further

CERTIFY that the amount of Revenue Anticipation Notes to be issued hereunder is $290,000,000:

Date of Issuance	Date of Maturity	Amount Authorized
February 14, 1975	February 13, 1976	$290,000,000

and I further

CERTIFY that the proceeds of these notes are to be used to meet expenditures under appropriations duly made by the City of New York.

Dated: February 5, 1975

First Deputy Comptroller

I HEREBY CERTIFY that the above certificate is on file in the Office of the Mayor of The City of New York.

Dated: February 10, 1975

By: Chief Clerk, Office of the Mayor of The City of New York

THE CITY OF NEW YORK -- OFFICE OF THE COMPTROLLER
NOTICE OF SALE
$ 290,000,000. OF REVENUE ANTICIPATION NOTES

INTEREST EXEMPT FROM ALL PRESENT FEDERAL, NEW YORK STATE AND NEW YORK CITY INCOME TAXES

SEALED PROPOSALS will be received by The Comptroller of The City of New York at his office, Room 530, in the Municipal Building, in the Borough of Manhattan, in The City of New York,

Until 11 o'clock a.m., Eastern Standard Time

on

Tuesday, the fourth day February, 1975

at which time and place they will be publicly opened and announced for the purchase at not less than par and accrued interest of $ 290,000,000, principal amount of The City of New York Revenue Anticipation Notes, to bear interest to be payable at maturity on February 13, 1976, and to be dated February 14, 1975, without option of redemption prior to maturity. Interest will be paid for the exact number of days calculated on the 365 day year.

Principal and interest of said Notes are payable in lawful money of the United States of America at the Office of The Comptroller of The City of New York, in The City of New York, New York. Notes will be in bearer form without interest coupons. The Notes for each $ 1,000,000 shall be issued 4 for $ 100,000 each, and 18 for $ 25,000 each, and 15 for $ 10,000 each.

1160	Notes for $ 100,000 each =	$	116,000,000.
5220	Notes for 25,000 each =		130,500,000.
4350	Notes for 10,000 each =		43,500,000.
		$	290,000,000.

Notes will be general obligations of The City, all the taxable real property within which will be subject to the levy of ad valorem taxes to pay said Notes and the interest thereon, without limitations as to rate or amount. Payment of debt service shall be the first lien on all the City's revenues. The State Constitution requires the City to pledge its faith and credit for the payment of the principal of the Notes and the interest thereon.

The said Revenue Anticipation Notes are issued pursuant to Section 25.00 of the Local Finance Law in anticipation of moneys from the State or United States Government due in the fiscal year 1974 - 1975. The amount of such Notes to be issued, and the type and amount of uncollected Revenue against which said Revenue Anticipation Notes may be issued, are as follows:

TYPES OF REV.	AMOUNT TO BE ISSUED	EST. AMOUNT IN EXP. BUDGET *	COLLECTIONS TO DATE	NOTES OUTSTANDING	BALANCE AGAINST WHICH REV. ANT. NOTES MAY BE ISSUED
		1974 - 1975 EXPENSE BUDGET (IN MILLIONS)			
State Aid	$ 290.0	$ 2,296.6	$ 401.1	$ 1,500.0	$ 395.5

* EXCLUDES GENERAL FUND

Bidders shall name the rate of interest which the Notes offered for sale are to bear, which rate shall be a multiple of one one hundredth of one per centum, not exceeding the maximum interest rate permitted by law. Proposals shall be for a minimum of $ 1,000,000 of Notes. Separate proposals are required for each portion of said Notes for which a different interest rate is bid. Bids must remain firm until 3 o'clock p.m., of the day on which the bid is opened and announced.

Notes will be awarded at the lowest rates offered in the proposals, without reference to premium, provided, however, that as among proposals specifying the same lowest interest rate, award will be made on the basis of the highest premium per dollar principal amount of Notes specified at such lowest interest rate in such proposals.

In the event it becomes necessary so to do, a bidder may be required to accept such portion of the amount of Notes for which he bid, as may be allotted to him. If the amount of Notes awarded is less than the amount of Notes bid for in the proposals, the premium offered in such bid shall be prorated.

The right is reserved to reject any or all bids, and any bid not complying with this Notice of Sale will be rejected; provided, however, that bidders may condition their proposals upon opinion of recognized municipal bond attorneys as to validity of issuance, such opinion to be obtained at the expense of the purchaser. Each bid must be enclosed in a sealed envelope addressed to the undersigned Comptroller of The City of New York, and should be marked on the outside "Proposals for Notes". Such bids may be hand-delivered and deposited in the box provided for this purpose and located in the Board Room of The Office of The Comptroller, prior to 11:00 a.m., on the date of sale, or, if mailed, must be in this office not later than the close of business on day preceding date of sale.

Bearer Notes without interest coupons will be delivered to the purchasers at the Office of The Comptroller of The City of New York, Room 830, Municipal Building, Centre and Chambers Streets, New York, New York, on February 14, 1975. Payment must be made in Federal Funds.

A report of essential facts will be furnished to any interested bidder upon request.

Proposals for the purchase of said notes shall be in the form set out in this Notice of Sale.

The City of New York
Office of The Comptroller
January 29, 1975

COMPTROLLER
THE CITY OF NEW YORK

P R O P O S A L

REVENUE ANTICIPATION NOTES TO MATURE ON FEBRUARY 13, 1976

Honorable Harrison J. Goldin
Comptroller
The City of New York

Dear Sir:

For _____ DOLLARS ($_____)
principal amount of The City of New York Revenue Anticipation Notes, to be dated February 14, 1975, and to be payable on February 13, 1976, without option of redemption prior to maturity, bearing interest at the per annum rate of

_____ PER CENTUM (_____%)
we will pay the par value thereof, and accrued interest to the date of delivery of the Notes, plus premium of

_____ DOLLARS ($_____)
for Notes described in the Notice of Sale.

This proposal is subject to our being furnished, at our expense, with the unqualified opinion of our attorneys,

_____

_____
approving the validity of the Notes. It is understood that sufficient evidence will be furnished to enable our attorneys to render such opinion at the time of, or prior to the delivery of the Notes.

Bidder's Bond Attorney may be designated herein, or such designation may be made after the Notes are awarded. Each successful bidder, who has not designated an attorney, agrees to advise the Comptroller of the name and address of the attorney designated, not later than 2 p.m., on the date hereof.

Notes shall be of the denomination set forth in the Notice of Sale.

Very truly yours,

New York, N. Y.
February 4, 1975

_____

Address: _____ By: _____

_____ Tel. No. _____

HARRISON J. GOLDIN
COMPTROLLER

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MUNICIPAL BUILDING
NEW YORK, N. Y. 10007
— 4667
TELEPHONE 566-

I, RUSSELL T. ALDAG, CHIEF, Division of Municipal Securities, Office of The Comptroller, DO HEREBY CERTIFY, that pursuant to Regulation XXXV, adopted by The Comptroller of The State of New York on June 10, 1960, as revised August 10, 1967, caused to be mailed on January 29, 1975, a Notice of Sale of

$ 290,000,000. Revenue Anticipation Notes

of The City of New York, dated February 14, 1975, a copy of which Notice is being attached, to the following:

Hon. Arthur Levitt
State Comptroller
Albany, New York

All the financial newspapers, publications and services set forth in the list attached to Regulation XVIII.

All the persons, firms and corporations listed as Part 1, Bond Dealers of the appendix annexed to Regulation XVIII.

Russell T. Aldag

RUSSELL T. ALDAG
CHIEF
DIVISION OF MUNICIPAL SECURITIES

Dated: New York, N. Y.
January 29, 1975

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } ss.:

CAROLYN B. MANDELKER, being duly sworn says that she is the Editor of The City Record, the Official Journal of The City of New York, published daily except Sundays and legal holidays; that the advertisement hereto annexed has been regularly published in SIX (6) successive issues of The City Record, commencing on the 29TH day of JANUARY, 1975.

Sworn to before me, this 5th day of February 1975

MIRIAM KATZ
Commissioner of Deeds
City of New York No. 32
Certificate filed in New York County
Commission Expires Feb. 1, 1977

OFFICE OF THE COMPTROLLER

NOTICE OF SALE

$290,000,000 OF REVENUE ANTICIPATION NOTES
INTEREST EXEMPT FROM ALL PRESENT FEDERAL,
NEW YORK STATE AND NEW YORK CITY INCOME TAXES

SEALED PROPOSALS WILL BE RECEIVED BY THE COMPTROLLER of The City of New York, at his office, Room 530, in the Municipal Building, in the Borough of Manhattan, in the City of New York,

until 11 o'clock a. m., Eastern Standard Time
on
Tuesday, the fourth day of February, 1975

at which time and place they will be publicly opened and announced for the purchase at not less than par and accrued interest of $290,000,000, principal amount of The City of New York Revenue Anticipation Notes, to bear interest to be payable at maturity on February 13, 1976, and to be dated February 14, 1975, without option of redemption prior to maturity. Interest will be paid for the exact number of days calculated on the 365 day year.

Principal and interest of said Notes are payable in lawful money to the United States of America at the Office of the Comptroller of The City of New York, in The City of New York, N. Y. Notes will be in bearer form without interest coupons. The Notes for each $1,000,000 shall be issued 4 for $100,000 each, 18 for $25,000 each, and 15 for $10,000 each.

1,160 Notes for	$100,000 each	=	$116,000,000
5,220 Notes for	25,000 each	=	130,500,000
4,350 Notes for	10,000 each	=	43,500,000
			$290,000,000

Notes will be general obligations of the City, all the taxable real property within which will be subject to the levy of ad valorem taxes to pay said Notes and the interest thereon, without limitations as to rate or amount. Payment of debt service shall be the first lien on all the City's revenues. The State Constitution requires the City to pledge its faith and credit for the payment of the principal of the Notes and the interest thereon.

The said Revenue Anticipation Notes are issued pursuant to Section 25.00 of the Local Finance Law in anticipation of moneys from the State or United States Government due in the fiscal year 1974-1975. The amount of such Notes to be issued, and type and amount of uncollected Revenue against which said Revenue Anticipation Notes may be issued, are as follows:

1974-1975 EXPENSE BUDGET
(In Millions)

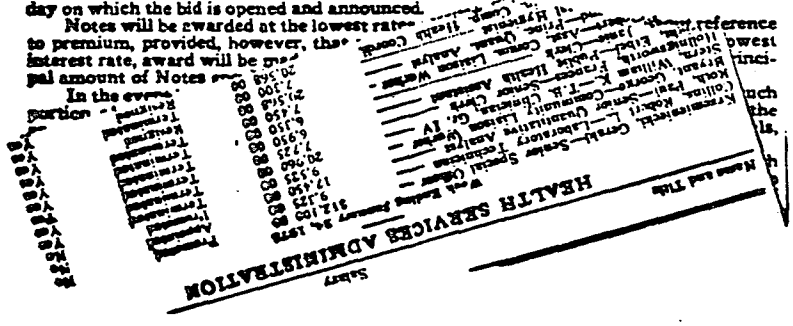
Types of Revenue	Amount to Be Issued	Estimate Amount in Expense Budget*	Collections to Date	Notes Out-standing	Balance Against Which Rev. Ant. Notes May Be Issued
State Aid	$200.0	$2,296.6	$401.1	$1,500.0	$395.5

* Excludes General Fund.

Bidders shall name the rate of interest which the Notes offered for sale are to bear, which rate shall be a multiple of one one hundredth of one per centum, not exceeding the maximum interest rate permitted by law. Proposals shall be for a minimum of $1,000,000 of Notes. Separate proposals are required for each portion of said Notes for which a different interest rate is bid. Bids must remain firm until 3 o'clock p. m., of the day on which the bid is opened and announced.

Notes will be awarded at the lowest rate[illegible] reference to premium, provided, however, that[illegible] lowest interest rate, award will be made[illegible] principal amount of Notes[illegible]

In the event[illegible] such portion[illegible]



HARRISON J. GOLDIN
COMPTROLLER

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MUNICIPAL BUILDING
NEW YORK, N. Y. 10007

TELEPHONE 566- 4667

COPY OF BIDS RECEIVED

I, HARRISON J. GOLDIN, COMPTROLLER of The City of New York, DO HEREBY CERTIFY that pursuant to Notice of Sale of $ 290,000,000. Revenue Anticipation Notes of The City of New York, issue of and dated February 14, 1975, bids for which were received and opened at 11:00 o'clock a.m., Tuesday, February 4, 1975, that I received Four (4) bids therefor, a copy of each of which is hereto attached. The bids were opened and awarded as follows:

Morgan Guaranty Trust Company

Principal	Interest Rate	Maturity Date	Premium
$ 290,000,000.	7.55%	February 13, 1976	$ 2,001.00

COMPTROLLER
THE CITY OF NEW YORK

Dated: New York, New York
February 4, 1975

Awarded

P R O P O S A L

REVENUE ANTICIPATION NOTES TO MATURE ON FEBRUARY 13, 1976

Honorable Harrison J. Goldin
Comptroller
The City of New York

Dear Sir:

For Two hundred ninety million DOLLARS ($ 290,000,000.00)
principal amount of The City of New York Revenue Anticipation Notes, to be dated February 14, 1975, and to be payable on February 13, 1976, without option of redemption prior to maturity, bearing interest at the per annum rate of

Seven and 55/100 PER CENTUM (7.55 %)
we will pay the par value thereof, and accrued interest to the date of delivery of the Notes, plus premium of

2001.00/ Two Thousand One — 00/100 DOLLARS ($ 2,001.00)
for Notes described in the Notice of Sale.

This proposal is subject to our being furnished, at our expense, with the unqualified opinion of our attorneys,

TO BE DESIGNATED

approving the validity of the Notes. It is understood that sufficient evidence will be furnished to enable our attorneys to render such opinion at the time of, or prior to the delivery of the Notes.

Bidder's Bond Attorney may be designated herein, or such designation may be made after the Notes are awarded. Each successful bidder, who has not designated an attorney, agrees to advise the Comptroller of the name and address of the attorney designated, not later than 2 p.m., on the date hereof.

Notes shall be of the denomination set forth in the Notice of Sale.

Very truly yours,

New York, N. Y.
February 4, 1975

Address: 23 WALL STREET
N.Y.N.Y. 10015
483-5913

Morgan Guaranty Trust Company of New York
Bank of America N.T. & S.A.
Bankers Trust Company
Chemical Bank
Salomon Brothers
Merrill Lynch Pierce Fenner & Smith Inc.

by: George Hinman, Jr., Asst. Vice Pres.
Morgan Guaranty Trust Company of New York

(2)

P R O P O S A L

REVENUE ANTICIPATION NOTES TO MATURE ON FEBRUARY 13, 1976

Honorable Harrison J. Goldin
Comptroller
The City of New York

Dear Sir:

For One hundred eighty million DOLLARS ($ 180 000 000)
principal amount of The City of New York Revenue Anticipation Notes, to be dated February 14, 1975, and to be payable on February 13, 1976, without option of redemption prior to maturity, bearing interest at the per annum rate of

Seven and 68/100 PER CENTUM (7.68 %)

we will pay the par value thereof, and accrued interest to the date of delivery of the Notes, plus premium of

Five hundred fifty five and 00/100 DOLLARS ($ 555.00)

for Notes described in the Notice of Sale.

This proposal is subject to our being furnished, at our expense, with the unqualified opinion of our attorneys,

Sykes, Galloway & Dikeman

approving the validity of the Notes. It is understood that sufficient evidence will be furnished to enable our attorneys to render such opinion at the time of, or prior to the delivery of the Notes.

Bidder's Bond Attorney may be designated herein, or such designation may be made after the Notes are awarded. Each successful bidder, who has not designated an attorney, agrees to advise the Comptroller of the name and address of the attorney designated, not later than 2 p.m., on the date hereof.

Notes shall be of the denomination set forth in the Notice of Sale.

Very truly yours,

First National City Bank, New York/
Chase Manhattan Bank, N.A.
& Associates

By: [signature]

New York, N. Y.
February 4, 1975

Address: First National City Bank
55 Wall St.
New York, N. Y. 10005

Tel. No. 825-2725

(3)

P R O P O S A L

REVENUE ANTICIPATION NOTES TO MATURE ON FEBRUARY 13, 1976

Honorable Harrison J. Goldin
Comptroller
The City of New York

Dear Sir: One hundred ten million

For DOLLARS ($ 110,000,000)
principal amount of The City of New York Revenue Anticipation Notes, to be dated February 14, 1975, and to be payable on February 13, 1976, without option of redemption prior to maturity, bearing interest at the per annum rate of

Seven and 72/100 PER CENTUM (7.72 %)
we will pay the par value thereof, and accrued interest to the date of delivery of the Notes, plus premium of

Seventeen fifty and no/100 DOLLARS ($ 750.00)
for Notes described in the Notice of Sale.

This proposal is subject to our being furnished, at our expense, with the unqualified opinion of our attorneys,

Sykes, Galloway & Dikeman

approving the validity of the Notes. It is understood that sufficient evidence will be furnished to enable our attorneys to render such opinion at the time of, or prior to the delivery of the Notes.

Bidder's Bond Attorney may be designated herein, or such designation may be made after the Notes are awarded. Each successful bidder, who has not designated an attorney, agrees to advise the Comptroller of the name and address of the attorney designated, not later than 2 p.m., on the date hereof.

Notes shall be of the denomination set forth in the Notice of Sale.

Very truly yours,

First National City Bank, New York/
Chase Manhattan Bank, N.A.
& Associates

By: [signature]

New York, N. Y.
February 4, 1975

Address: First National City Bank
95 Wall St.
New York, N. Y. 10005

Tel. No. 825-2725

(4)

X

P R O P O S A L

REVENUE ANTICIPATION NOTES TO MATURE ON FEBRUARY 13, 1976

Honorable Harrison J. Goldin
Comptroller
The City of New York

Dear Sir:

For Five Million..... DOLLARS ($5,000,000.00)
principal amount of The City of New York Revenue Anticipation Notes, to be dated February 14, 1975, and to be payable on February 13, 1976, without option of redemption prior to maturity, bearing interest at the per annum rate of

Seven and eighty-nine hundredths PER CENTUM (7.89 %)
we will pay the par value thereof, and accrued interest to the date of delivery of the Notes, plus premium of

Three hundred and sixty-five DOLLARS ($ 365.00)
for Notes described in the Notice of Sale.

This proposal is subject to our being furnished, at our expense, with the unqualified opinion of our attorneys,

Wood, Dawson, Love & Sabatine

New York City, New York

approving the validity of the Notes. It is understood that sufficient evidence will be furnished to enable our attorneys to render such opinion at the time of, or prior to the delivery of the Notes.

Bidder's Bond Attorney may be designated herein, or such designation may be made after the Notes are awarded. Each successful bidder, who has not designated an attorney, agrees to advise the Comptroller of the name and address of the attorney designated, not later than 2 p.m., on the date hereof.

Notes shall be of the denomination set forth in the Notice of Sale.

Very truly yours,

New York, N. Y.
February 4, 1975

European-American Bank & Trust Company

Address: 77 Water Street

By: Ronald J. Gleusner
Ronald J. Gleusner, Investment Officer

New York, New York 10005 Tel. No. 212 437-4260

CERTIFICATE OF AWARD

I, HARRISON J. GOLDIN, Comptroller of The City of New York, in the County of New York, State of New York, HEREBY CERTIFY that I am the duly elected, qualified and acting Comptroller of The City of New York and in the exercise of the power delegated to me on February 21, 1963 by the Mayor of The City of New York, exercising the powers of a finance board, pursuant to Section 8c of the New York City Charter effective January 1, 1963, pursuant to Section 30.00 of the Local Finance Law, which power is in full force and effect and has not been modified, amended, rescinded or revoked, DO HEREBY AWARD AND SELL TO MORGAN GUARANTY TRUST COMPANY OF NEW YORK, New York, New York, at the price bid of $290,002,001.00 and accrued interest at the rate borne by the notes from the date of the Notes to the date of payment of the purchase price, the $290,000,000 principal amount of REVENUE ANTICIPATION NOTES of The City of New York, dated February 14, 1975, maturing February 13, 1976, authorized to be issued pursuant to the following Certificate: Certificate No. 29-75 Authorizing the Issuance of $290,000,000 Revenue Anticipation Notes, executed by the First Deputy Comptroller on FEBRUARY 5, 1975 and filed in the office of the Mayor of said City of FEBRUARY 10, 1975.

The terms, form and details of said Notes shall be as follows:

Amount and Title:	$290,000,000 Tax Anticipation Notes Issued Pursuant to Section 25.00 of the Local Finance Law
Dated:	February 14, 1975
Mature:	February 13, 1976
Interest:	7.55%

Type of Revenues	Numbers (inclusive)	Denomination
State Aid	RC 18,981 to RC 20,180	$100,000
	RY 58,561 to RY 62,560	$ 25,000
	RX 35,801 to RX 42,800	$ 10,000

IN WITNESS WHEREOF, I have hereunto set my hand as of this 14th day of February, 1975.

Comptroller

SIGNATURE OF NO-LITIGATION CERTIFICATE

We, the undersigned officers of The City of New York, in the County of New York, State of New York, HEREBY CERTIFY that, on the 11th day of February, 1975, we officially signed and properly executed the obligations of said City, payable to bearer, described as follows:

Amount and Title:	$290,000,000 Revenue Anticipation Notes Issued Pursuant to Section 25.00 of the Local Finance Law
Dated:	February 14, 1975
Mature:	February 13, 1976
Interest:	7.55%

Type of Revenues	Numbers (inclusive)	Denomination
State Aid	RC 18,981 to RC 20,180	$100,000
	RY 58,561 to RY 62,560	$ 25,000
	RX 35,801 to RX 42,800	$ 10,000

and that at the date of such signing and on the date hereof we were and are the duly chosen, qualified and acting officers authorized to execute said obligations, holding the respective offices indicated by the official titles set opposite our signatures below.

I, the undersigned Comptroller of said City, FURTHER CERTIFY that the facsimile signature of Harrison J. Goldin affixed upon said obligations has been duly authorized and is hereby adopted as my true and lawful signature in my capacity as Comptroller of said City.

WE FURTHER CERTIFY that except for the action entitled "Leonard Edward Wein, Plaintiff, against The City of New York, et.al.", Supreme Court of the State of New York, County of New York, Index Number 2162/75, wherein plaintiff demands inter.alia. a permanent injunction restraining the City of New York from hereafter contracting debt beyond the constitutional debt limit, no litigation of any nature is now pending or to our knowledge threatened (either in State or Federal Courts) restraining or enjoining the issuance or delivery of said obligations or the levy or collection of taxes to pay the interest on or principal of said obligations, or in any manner questioning the authority or proceedings for the issuance of said obligations, or affecting in any way the validity of said obligations or the levy or collection of said taxes, or contesting the corporate existence or boundaries of said City or the title of any of the present officers thereof to their respective offices; and that no authority or proceedings for the issuance of said obligations have or has been repealed, rescinded or revoked.

WE FURTHER CERTIFY that the seal which is impressed upon this certificate has been affixed, imprinted or reproduced upon each of said notes and is the legally adopted, proper and only official corporate seal of the Issuer.

WITNESS our hands and said corporate seal this 14 day of February, 1975

Signature	Official	Term of Office Expires
	Comptroller	December 31, 1977
	Deputy and Acting City Clerk	Indefinite

I HEREBY CERTIFY that the signatures of the officers of above named City which appear above are true and genuine and I know said officers and know them to hold the respective offices set opposite their signatures.

Russell T. Alday

CERTIFICATE OF DELIVERY AND PAYMENT

I, HARRISON J. GOLDIN, Comptroller of The City of New York, in the County of New York, State of New York, HEREBY CERTIFY as follows:

1. On the 14th day of February, 1975, I delivered to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, in the City, County and State of New York, the purchaser thereof, the following obligations of said City:

Amount and Title:	$290,000,000 Revenue Anticipation Notes Issued Pursuant to Section 25.00 of the Local Finance Law
Dated:	February 14, 1975
Mature:	February 13, 1975
Interest	7.55%

Type of Revenues	Numbers (inclusive)	Denomination
State Aid	RC 18,981 to RC 20,180	$100,000
	RY 58,561 to RY 62,560	$ 25,000
	RX 35,801 to RX 42,800	$ 10,000

2. At the time of said delivery I received from said purchaser payment for said obligations in accordance with the contract of sale, computed as follows:

Contract price	$290,002,001.00
Accrued interest	-0-
Amount received on delivery of obligations	$290,002,001.00

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of February, 1975.

Comptroller

No.RC

$100,000

UNITED STATES OF AMERICA
STATE OF NEW YORK

THE CITY OF NEW YORK

REVENUE ANTICIPATION NOTE

OF THE FISCAL YEAR 1974 – 1975

THIS NOTE IS ISSUED PURSUANT TO SECTION 25.00 OF THE LOCAL FINANCE LAW IN ANTICIPATION OF THE COLLECTION OF

10th
ISSUE

STATE AID

SPECIMEN

7.55%

AUTHORIZED ISSUE $290,000,000

DATED FEBRUARY 14, 1975 – DUE FEBRUARY 13, 1976

THE CITY OF NEW YORK, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the BEARER the sum of

——— ONE HUNDRED THOUSAND DOLLARS, ———

on the due date specified above in lawful money of the United States of America, at the office of the Comptroller of The City of New York, in The City of New York, and to pay interest thereon from the date of this Revenue Anticipation Note in like money, at said office, at the rate per annum specified in the title of this Note at maturity, upon presentation of this Revenue Anticipation Note for notation thereon of such interest payment.

This Revenue Anticipation Note is issued in anticipation of the collection of revenues to become due the City in the Fiscal Year beginning July 1, and ending June 30, specified in the title of this Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to happen, exist or be performed, precedent to and in the issuance of this Revenue Anticipation Note, have happened, exist and have been performed in due time, form and manner, as required by the Constitution and Statutes of the State of New York, including among others, the New York City Charter; that the total indebtedness of the City, including the indebtedness represented by this Revenue Anticipation Note, does not exceed any constitutional or statutory limitations thereon; and that for the punctual payment of the principal and interest of this Revenue Anticipation Note, as the same become due and payable, the faith and credit of the City are hereby irrevocably pledged.

IN WITNESS WHEREOF, THE CITY OF NEW YORK has caused this Revenue Anticipation Note to be signed by its Comptroller, and its Corporate Seal to be hereunto affixed and attested by the City Clerk or his Deputy, and this Revenue Anticipation Note to be dated as of and to bear interest from the issue date specified above.

ATTEST:

DEPUTY AND ACTING CITY CLERK.

COMPTROLLER OF THE CITY OF NEW YORK.

No.RY

$25,000

UNITED STATES OF AMERICA
STATE OF NEW YORK

THE CITY OF NEW YORK

REVENUE ANTICIPATION NOTE

OF THE FISCAL YEAR 1974 – 1976

THIS NOTE IS ISSUED PURSUANT TO SECTION 25.00 OF THE LOCAL FINANCE LAW IN ANTICIPATION OF THE COLLECTION OF

19th
18SUE

STATE AID

SPECIMEN

7.55%

AUTHORIZED ISSUE $290,000,000

DATED FEBRUARY 14, 1975 – DUE FEBRUARY 13, 1976

THE CITY OF NEW YORK, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the BEARER the sum of

—— TWENTY-FIVE THOUSAND DOLLARS, ——

on the due date specified above in lawful money of the United States of America, at the office of the Comptroller of The City of New York, in The City of New York, and to pay interest thereon from the date of this Revenue Anticipation Note in like money, at said office, at the rate per annum specified in the title of this Note at maturity, upon presentation of this Revenue Anticipation Note for notation thereon of such interest payment.

This Revenue Anticipation Note is issued in anticipation of the collection of revenues to become due the City in the Fiscal Year beginning July 1, and ending June 30, specified in the title of this Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to happen, exist or be performed, precedent to and in the issuance of this Revenue Anticipation Note, have happened, exist and have been performed in due time, form and manner, as required by the Constitution and Statutes of the State of New York, including among others, the New York City Charter; that the total indebtedness of the City, including the indebtedness represented by this Revenue Anticipation Note, does not exceed any constitutional or statutory limitations thereon; and that for the punctual payment of the principal and interest of this Revenue Anticipation Note, as the same become due and payable, the faith and credit of the City are hereby irrevocably pledged.

IN WITNESS WHEREOF, THE CITY OF NEW YORK has caused this Revenue Anticipation Note to be signed by its Comptroller, and its Corporate Seal to be hereunto affixed and attested by the City Clerk or his Deputy, and this Revenue Anticipation Note to be dated as of and to bear interest from the issue date specified above.

ATTEST:

DEPUTY AND ACTING CITY CLERK.

COMPTROLLER OF THE CITY OF NEW YORK.

No.RX

$10,000

UNITED STATES OF AMERICA
STATE OF NEW YORK

THE CITY OF NEW YORK

REVENUE ANTICIPATION NOTE

OF THE FISCAL YEAR 1974 – 1975

THIS NOTE IS ISSUED PURSUANT TO SECTION 25.00 OF THE LOCAL FINANCE LAW IN ANTICIPATION OF THE COLLECTION OF

10th
ISSUE

STATE AID
AUTHORIZED ISSUE $290,000,000 SPECIMEN 7.55%
DATED FEBRUARY 14, 1975 – DUE FEBRUARY 13, 1976

THE CITY OF NEW YORK, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the BEARER the sum of

——— TEN THOUSAND DOLLARS, ———

on the due date specified above in lawful money of the United States of America, at the office of the Comptroller of The City of New York, in The City of New York, and to pay interest thereon from the date of this Revenue Anticipation Note in like money, at said office, at the rate per annum specified in the title of this Note at maturity, upon presentation of this Revenue Anticipation Note for notation thereon of such interest payment.

This Revenue Anticipation Note is issued in anticipation of the collection of revenues to become due the City in the Fiscal Year beginning July 1, and ending June 30, specified in the title of this Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to happen, exist or be performed, precedent to and in the issuance of this Revenue Anticipation Note, have happened, exist and have been performed in due time, form and manner, as required by the Constitution and Statutes of the State of New York, including among others, the New York City Charter; that the total indebtedness of the City, including the indebtedness represented by this Revenue Anticipation Note, does not exceed any constitutional or statutory limitations thereon; and that for the punctual payment of the principal and interest of this Revenue Anticipation Note, as the same become due and payable, the faith and credit of the City are hereby irrevocably pledged.

IN WITNESS WHEREOF, THE CITY OF NEW YORK has caused this Revenue Anticipation Note to be signed by its Comptroller, and its Corporate Seal to be hereunto affixed and attested by the City Clerk or his Deputy, and this Revenue Anticipation Note to be dated as of and to bear interest from the issue date specified above.

ATTEST:

DEPUTY AND ACTING CITY CLERK.

COMPTROLLER OF THE CITY OF NEW YORK.

The City of New York

LAW DEPARTMENT
MUNICIPAL BUILDING
NEW YORK, N. Y. 10007

W. BERNARD RICHLAND,
Corporation Counsel

February 14, 1975

Honorable Harrison J. Goldin
Comptroller
City of New York
Municipal Building
New York, New York 10007

Dear Mr. Goldin:

I have reviewed your certification dated February 14, 1975 with respect to $290,000,000 principal amount of Revenue Anticipation Notes of the City of New York sold on February 4, 1975, maturing on February 13, 1976, and taken up and paid for by the purchasers thereof on February 14, 1975. Based upon my examination of law and review of said certification, the facts, estimates and circumstances are sufficiently set forth in said certification to satisfy the criteria which are necessary under section 103(d) of the Internal Revenue Code and the proposed regulations thereunder to support the conclusion that the aforementioned notes will not be arbitrage bonds.

No matters have come to my attention which make unreasonable or incorrect the representations made in your certification.

Sincerely,

John R. Thompson

JOHN R. THOMPSON
Acting Corporation Counsel

ARBITRAGE CERTIFICATE

I, HARRISON J. GOLDIN, Comptroller of the City of New York, and as such responsible for determining the nature and term of obligations of The City of New York and arranging for the issuance thereof and charged with the duty of approving the expenditures of the proceeds of said obligations, hereby certify as follows:

A. This certificate is issued with respect to the $290,000,000 principal amount of Revenue Anticipation Notes of The City of New York, New York (the "City"), delivered to the purchasers thereof on February 14, 1975 (the "Notes") and maturing on February 13, 1976. This Certificate shall constitute and be a document related to all of the Notes.

B. The Notes are issued in anticipation of the collection of revenues due to the City from the State of New York during the fiscal year 1974-1975, the proceeds of which are to be expended for the purposes for which such revenues, when collected, may be expended.

C. Certain moneys are due the City as State aid for the fiscal year 1974-1975. These moneys will be payable from time to time to the City. The City is reliant upon such moneys together with revenues from other sources for the payment of its expenses. The City projects its expenditures for a given period and projects its revenues to be received from all sources for such period. Such projection is based upon the City's experience in previous years as well as the known expenditures and receipts for such period.

D. Said Notes will not be outstanding after a period ending 6 months after the date on which the City expects to receive such revenues, but in any event said Notes will not be outstanding after a period ending 30 mohths after said Notes are issued.

Estimated expenses, expenditures and cumulative surpluses or deficits of the City for the 3 month period commencing December, 1974 is as follows:

	Estimated Receipts	Estimated Expenditures	Cumulative Surpluses or Deficits
February 1975	$1,036,900,000	$1,235,500,000	$198,600,000
March 1975	1,077,700,000	1,341,900,000	264,200,000
April 1975	1,669,900,000	1,765,400,000	95,500,000

The amount reasonably required to be kept on hand at all times is $1,235,500,000. Based on such estimates, it is projected that the amount of the Notes will not exceed at any time the amount necessary to pay expenditures which would ordinarily be paid out of or financed by such moneys due the City as State aid in the Fiscal Year 1974-1975, together with cash available therefor in an amount equal to such expenditures for one month after such time, and less all moneys available for such expenditures.

On the basis of the foregoing facts, estimates and circumstances it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be arbitrage bonds under Section 103 (d) of the Internal Revenue Code and the proposed regulations prescribed under that section. To the best of my knowledge and belief there are no other facts, estimates or circumstances which would materially change such expectation.

Dated the 14th day of February, 1975, the same being the date of delivery of and payment for the Notes.

HARRISON J. GOLDIN
Comptroller, of The City of New York

Hawkins, Delafield & Wood
67 Wall Street, New York 10005

February 14, 1975

Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York

Dear Sirs:

We have examined a record of proceedings relating to the issuance of $290,000,000 Revenue Anticipation Notes of The City of New York, a municipal corporation of the State of New York, issued pursuant to Section 25.00 of the Local Finance Law. Said Notes are dated February 14, 1975 and are 23,000 in number, are issued in anticipation of State aid, and bear interest at the rate of 7.55% per annum payable at maturity and mature on February 13, 1976. Said Notes are numbered and in the denominations as set forth below:

Numbers (inclusive)	Denomination
RC 18,981 to RC 20,180	$100,000
RY 58,561 to RY 62,560	25,000
RX 35,801 to RX 42,800	10,000

Said Notes are payable as to both principal and interest at the office of the Comptroller of The City of New York in the City of New York, New York, are payable to bearer without coupons, and are issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State of New York, and Certificate 29-75 authorizing the issuance of $290,000,000 Revenue Anticipation Notes.

In our opinion, said Revenue Anticipation Notes are valid and legally binding general obligations of The City of New York and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the City to pay said Notes and interest thereon, without limitation as to rate or amount.

In expressing such opinion, we have considered the action entitled: "Leonard Edward Wein, Plaintiff, against The City of New York, et. al. commenced in the Supreme Court of the State of New York, County of New York (Index No. 2165/75), wherein plaintiff demands, inter alia, a permanent injunction restraining The City of New York from hereafter contracting any debt beyond its constitutional debt limit. In our opinion, any order issued by a court of final jurisdiction in such action as instituted will not affect the validity of said Notes.

We have examined executed Notes numbered RC 18,981, RY 58,561 and RX 35,801 of said issue and, in our opinion, the form of said Notes and their execution are regular and proper.

Very truly yours,

Hawkins, Delafield & Wood

APPENDIX C

Date	Amount of Issue	Amount Approved by Wood Dawson	Client
	TAX ANTICIPATION NOTES		
06/14/73	$265,000,000	$265,000,000	CHASE
11/13/73	100,000,000	100,000,000	CHASE
06/11/74	317,000,000	317,000,000	FNCB
07/01/74	800,000,000	NONE*	
08/01/73	331,075,000	331,075,000	CHASE
11/01/73	369,770,000	369,770,000	FNCB
02/01/74	349,130,000	349,130,000	CHASE
03/01/74	436,620,000	436,620,000	CHASE
10/15/74	475,580,000	475,580,000	CHASE
02/15/75	141,440,000	141,440,000	CHASE
	CAPITAL NOTES		
04/24/73	4,700,000	4,700,000	FNCB
05/08/74	5,100,000	5,100,000	EHRLICH-BOBER
	URBAN RENEWAL NOTES		
05/31/73	100,035,000	100,035,000	FNCB
05/31/74	83,600,000	58,600,000	CHASE ($53.6M) BANKERS TRUST ($5M)
10/18/74	97,355,000	97,355,000	FNCB

* Approved for the Chase at a later date an exchange of $35,600,000, $100,000 denomination notes for smaller ($25,000 and $10,000) denomination notes.

Date	Amount of Issue	Amount Approved by Wood Dawson	Client
	BOND ANTICIPATION NOTES		
05/31/73	$175,000,000	$ 21,000,000	MARINE MIDLAND ($20M) FNCB ($1M)
08/15/73	282,270,000	200,000,000	FNCB
09/11/73	50,000,000	10,000,000	IRVING TRUST
03/26/74	362,270,000	81,270,000	CHASE
05/31/74	220,000,000	220,000,000	CHASE
08/23/74	141,000,000	141,000,000	CHASE
10/18/74	420,405,000	170,405,000	FNCB
03/14/75	537,270,000	NONE*	
	SERIAL BONDS		
01/01/73	293,980,000	293,980,000	CHASE
05/01/73	285,360,000	285,360 000	CHASE

* Rendered an opinion to the Chase with respect to the legality of the notes and the form of opinion rendered by White & Case.

Date	Amount of Issue	Amount Approved by Wood Dawson	Client
08/01/73	331,075,000	331,075,000	CHASE
11/01/73	369,770,000	369,770,000	FNCB
02/01/74	349,130,000	349,130,000	CHASE
03/01/74	436,620,000	436,620,000	CHASE
08/01/74	324,900,000	324,900,000	CHASE
10/15/74	475,580,000	475,580,000	CHASE
02/15/75	141,440,000	141,440,000	CHASE