

money, bond anticipation notes, or other obligations of the State in consideration for the net worth certificates. The net worth certificates give the State the right to exercise significant operational control over the association and may be convertible into stock of a capital stock association. As of June 30, 1986, none of the authorized \$100,000,000 general obligations bonds had been issued. During the fiscal year, net worth certificates totalling \$26,410,000 were purchased from seven associations in exchange for a like principal amount of bond anticipation notes of the State. In April 1986, bond anticipation notes of \$11,250,000 were cancelled when an association redeemed its net worth certificates after qualifying for insurance by FSLIC. At June 30, 1986, bond anticipation notes in the amount of \$15,160,000 were outstanding. Each of the bond anticipation notes mature three years after its date of issuance, subject to prior redemption at par at any time at the option of the State, and bear interest, payable annually, at rates of 8.1% to 9.3%. The net worth certificates bear interest at 1.5% above the bond anticipation notes. The State does not intend to redeem the net worth certificates nor to issue general obligation bonds in connection with these transactions and, accordingly, the net worth certificates and bond anticipation notes have not been recorded in the State's financial statements. Interest received on net worth certificates and interest paid on bond anticipation notes during fiscal year 1986 are recorded in the general obligation debt service fund. Each of the six associations have presented plans acceptable to the State to redeem their net worth certificates within three years.

The emergency legislation also gave the Governor and others certain emergency powers. As of October 27, 1986, three savings and loan associations are in receivership. The deposits at these associations have been frozen and earn no interest pending liquidation of the associations' assets. Also, as of this date, one other savings and loan association is under conservatorship. By order of the Circuit Court, the savings deposits held by this association under conservatorship have been frozen and are to earn interest at the contract rate for unmatured certificates of deposit and at 5.25% per annum for all other accounts. The Governor has also limited withdrawals from four other associations not insured by FSLIC to \$1,000 per month per account.

On October 17, 1985, the Governor convened a second special session of the General Assembly which enacted legislation allowing out-of-state bank holding companies until June 1, 1986 to acquire one or more savings and loan associations and convert them into commercial banks. The acquired association(s) must have been placed into conservatorship before October 15, 1985 or been the subject of withdrawal restrictions before that date, and the aggregate total savings account liability of the association(s) to be acquired must exceed \$450,000,000 as of June 1, 1985, or, if less than that amount but greater than \$250,000,000, the acquisition must meet certain statutory criteria and be concurred in by the Governor.

Effective October 31, 1985, Chase Manhattan Corporation acquired three savings and loan associations with total savings deposits of approximately \$500,000,000, one of which was in conservatorship and two of which had withdrawal restrictions. MDIFC agreed to pay Chase Manhattan \$25,000,000 on that date and to refund the members' capital notes totalling \$4,060,000 from the Central Reserve Fund by December 31, 1986. Chase Manhattan repaid \$58,100,000 of loans outstanding to MDIFC and relinquished all claims to the association's capital deposits totalling \$11,479,000 with MDIFC.

On May 13, 1986, Mellon Bank acquired the insured depositor accounts of approximately \$322,500,000 and certain assets of a member association in receivership. MDIFC agreed to pay Mellon \$131,000,000 on that date and to refund the member's capital note of \$6,156,000 from the Central Reserve Fund by December 31, 1986. At the end of three years, certain assets acquired by Mellon will be appraised and the receivership will share in any gains or losses over adjusted book value. The receivership may also be required to repurchase certain other assets at the end of three years for their adjusted book value. If the receivership fails to make any required payment to Mellon, then MDIFC will make the required payment and will receive subrogation of Mellon's claim against the receivership. MDIFC has secured its obligation to make payments to Mellon by pledging to Mellon \$46,700,000 of bond anticipation notes of the State issued to MDIFC. Since the bond anticipation notes were issued only as collateral for the aforementioned guarantee and the State does not intend to issue general obligation bonds in connection with the bond anticipation notes, such notes have not been recorded in the financial statements of the State as of June 30, 1986.

A member association with total savings deposits of approximately \$39,400,000 merged with Carteret Savings Bank, F. A. effective June 6, 1986. MDIFC's assistance related to this merger was minimal.

During fiscal year 1986, the State provided \$155,000,000 of funds that were used in connection with a distribution to depositors of a member association in receivership and as part of the cash payment to Mellon Bank in connection with their acquisition of an insured association. MDIFC received transfers from the