

The emergency legislation also gave the Governor and others certain emergency powers. As of October 31, 1988, six 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.

On May 13, 1986, a bank acquired the insured depositor accounts and certain assets of a member association in receivership. At the end of three years, certain assets acquired by the bank 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 the bank, then MDIFC will make the required payment and become subrogated to the bank's claim against the receivership. MDIFC has secured its obligation to make payments to the bank by pledging \$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, 1988.

The balance sheet of MDIFC at June 30, 1988 includes \$189,962,000 of deposits resulting from distributions to depositors of two member associations in receivership, the purchase of certain assets from two member associations, settlement of a lawsuit and payments by MDIFC to two banks that acquired the insured deposits of two member associations for which MDIFC received a subrogation of the depositors' rights to their share of proceeds from the liquidation of the associations' net assets in an amount equal to the contribution. The distributions totalled \$180,350,000 and were made in accordance with the Governor's General Distribution Plan, approved on March 5, 1986. The amount distributed includes \$110,789,000 paid in fiscal year 1986 and \$69,561,000 paid in fiscal year 1987. The 1987 distribution was partially funded by a transfer of \$15,000,000 from the State of Maryland General Fund and borrowings of \$15,000,000 from a bank, which were repaid during fiscal year 1987. MDIFC received subrogation of the depositor's rights to their share of proceeds from the liquidation of the associations' net assets in an amount equal to the distribution. MDIFC has received \$20,788,000 in depositor distributions from two member associations in receivership since its inception, of which \$7,366,000 was received during fiscal year 1988.

In the wake of the savings and loan crisis discussed above, an allowance for estimated insurance losses of \$400,000,000 at June 30, 1988 has been established; however, MDIFC's ultimate liability, if any, cannot presently be determined.

At June 30, 1987, MDIFC had established a \$35,000,000 liability for potential Federal tax liabilities associated with MSSIC's deduction of loss reserves on its Federal tax returns. On October 28, 1988, an agreement was reached with the Internal Revenue Service whereby MDIFC paid \$14,800,000 in settlement of all tax claims. Accordingly, the deferred federal income taxes has been reduced by \$20,200,000 as of June 30, 1988.

Additionally, MDIFC and MSSIC are parties to numerous lawsuits, and, in the opinion of the Attorney General of the State of Maryland, the outcome of the litigation cannot presently be determined. Furthermore, there may be additional future litigation involving MDIFC.