

Emergency legislation also gave authority to the Maryland Board of Public Works to issue for the benefit of MDIFC general obligation bonds of the State not to exceed the aggregate principal amount of \$100,000,000. As of October 31, 1989, none of the authorized \$100,000,000 general obligation bonds had been issued. In connection with the assumption of the insured deposit liabilities of Community by Mellon, the State issued a bond anticipation note in the principal amount of \$46,700,000 to MDIFC; this note was pledged by MDIFC to Mellon to secure certain payments and guarantees. On May 6, 1989, the obligations of MDIFC secured by the note were discharged from resources available within the Community estate, and the note was canceled. As assistance to certain MDIFC-insured institutions requiring additional capital to obtain Federal insurance, the State exchanged bond anticipation notes for special capital instruments issued by the institutions. Notes totalling \$27,200,000 were issued to provide assistance to eight institutions. As of June 30, 1989, one note for \$746,000 remained outstanding. Six institutions have redeemed their special capital instruments and returned their notes and one note for \$2,200,000 was paid by the State at its maturity.

A plan developed by the State in 1985 contemplates the payment to depositors of all insured accounts at the associations in receivership by December 31, 1989. Through June 1989, MDIFC had made initial payments, from funds appropriated to it by the State and other sources, to Old Court and First Maryland depositors in the amounts of approximately \$111,000,000 and \$69,600,000 (of which \$11,000,000 was subsequently recovered), respectively; distributions have also been made to those depositors from funds realized through the sale of assets in the receivership estates. As a result of those payments and distributions, and additional hardship distributions made to certain depositors, there remained as of June 30, 1989, MDIFC-insured accounts in Old Court and First Maryland in the aggregate amount of approximately \$207,000,000.

As successor to MSSIC, MDIFC assumed approximately \$189,000,000 in assets of MSSIC. Including the \$100,000,000 general fund appropriation in the 1990 budget, the State has made available to MDIFC approximately \$396,000,000 (\$55,000,000 from direct general fund appropriations, \$241,000,000 from general fund appropriations to the State Reserve Fund designated for the use of MDIFC, and a \$100,000,000 transfer from the Transportation Trust Fund). To date, MDIFC has expended approximately \$388,000,000 to facilitate the acquisition of certain savings and loan associations by other financial institutions, to fund initial payments to depositors of associations in receivership, to settle Internal Revenue Service tax claims, and to settle litigation. In addition, MDIFC has recovered \$28,000,000 from depositor distributions and the general fund has received \$45,000,000 in recoveries from litigation. Including the 1990 appropriation, there is approximately \$211,000,000 in the Dedicated Purpose Account of the State Reserve Fund for the benefit of MDIFC. MDIFC expects these resources to be sufficient to enable MDIFC to pay by December 31, 1989, all depositors for their remaining insured amounts.

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

In the wake of the savings and loan crisis discussed above, an allowance for estimated insurance losses of \$325,100,000 was established in 1985 and increased by an aggregate of \$228,318,000 in 1986 and 1987. Management believes that the allowance for estimated insurance losses remaining at June 30, 1989, of \$395,700,000, will be sufficient to provide for MDIFC's ultimate liability after liquidation of the remaining assets of the six institutions in receivership, after adjudication of the numerous lawsuits and upon completion of MDIFC's operations. However, the ultimate outcome of the liquidation of assets and the litigation is uncertain at this time.