



Municipal Building
New York, N.Y. 10007
James R. Brigham, Jr.
Director

May 19, 1978

Mr. Eugene Keilin
Executive Director
Municipal Assistance Corporation
2 World Trade Centre
Room 4540
New York, N.Y.

Dear Mr. Keilin:

I am writing in response to your letter of May 19th to Mayor Edward I. Koch requesting information with respect to the date on which the City requires proceeds from the investment of \$683 million in long term bonds by the Five New York City Pension Funds under the Restructuring Agreement. On the basis of information provided to us by the Office of the Comptroller, under normal cash flow patterns we believe that such investment by the Pension Funds will be required on May 26, 1978, in order to provide cash balances necessary to fund City operations through the end of the current fiscal year. Certain short term actions which may be taken by the Comptroller may delay the required date for such investments a few days.

Very truly yours,

A handwritten signature in cursive script that reads "James R. Brigham, Jr." with a flourish at the end.

James R. Brigham, Jr.
Director

JRB:lg



State of New York
Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, N. Y. 10047

Felix G. Rohatyn
Chairman

Eugene Keilin
Executive Director

(212) 488-5720

Board Members
Francis J. Barry
George M. Brooker
Thomas A. Coleman
Thomas D. Flynn
George D. Gould
Dick Netzer
Robert C. Weaver

Writer's Direct Wire: (212) 488-_____

19 May 1978

Honorable Edward I. Koch,
Mayor
CITY OF NEW YORK
City Hall
New York, New York 10007

Honorable Harrison J. Goldin,
Comptroller
CITY OF NEW YORK
530 Municipal Building
One Centre Street
New York, New York 10007

Gentlemen:

As you know, the Municipal Assistance Corporation For The City of New York (the "Corporation"), the eleven commercial banks that are members of the New York Clearing House Association, Inc., the five New York City Pension Funds (the "Pension Funds"), and the four New York City Sinking Funds (the "Sinking Funds") are parties to an agreement dated November 26, 1975, which was amended and restated effective August 17, 1977 (the "Restructuring Agreement"). The City is a beneficiary of, although not a party to, the Restructuring Agreement. Pursuant to the Restructuring Agreement, the Pension Funds are obligated to purchase an aggregate amount of \$683 million principal amount of serial bonds of The City of New York (the "City") prior to the end of the City's current fiscal year.

On May 17, 1978, the Corporation wrote to each of the Pension Funds to inform them of a proposed closing schedule for the fulfillment of their obligation to make their investment under the Restructuring Agreement.

The Corporation is prepared, on behalf the City, to enforce, by legal action if necessary, the obligations of the Pension Funds to make the purchases called for by the Restructuring Agreement.

19 May 1978
Honorable Edward I. Koch,
Honorable Harrison J. Goldin,
Page Two

In order to prepare for the enforcement of its rights effectively, the Corporation must have definitive information from the City with respect to the date on which the City requires the investment to be provided by the Pension Funds under the Restructuring Agreement. Accordingly, will each of you, on behalf of the City, please inform the Corporation immediately, in writing, of such date.

Upon receipt of such information, the Corporation will formally notify the Pension Funds of such date as the date for the required purchases.

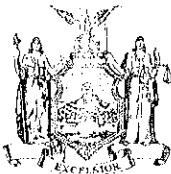
Our staff and counsel will work with any representatives each of you designates to co-ordinate this enforcement process.

Sincerely,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Eugene J. Keilin,
Executive Director

EJK/stm



State of New York
Municipal Assistance Corporation
For The City of New York
Two World Trade Center
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Robert C. Weaver

17 May 1978

Writer's Direct Wire: (212) 488- 5720

BY HAND

NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM
220 Church Street
New York, New York 10013

ATT: Harold Herkommer

Gentlemen:

The Municipal Assistance Corporation For The City of New York (the "Corporation") and the Retirement System are parties to an Agreement effective November 26, 1975 (the "Amended and Restated Agreement"), and amended and restated effective August 17, 1977 (the "Restructuring Agreement"), among the Corporation, the eleven New York City Commercial Banks that are members of the New York Clearing House Association, Inc., the five New York City pension funds, including your fund (the "Pension Funds") and the New York City sinking funds. (The Amended and Restated Agreement and the Restructuring Agreement are collectively referred to herein as the "Agreement".)

Pursuant to the Agreement you have agreed to purchase your proportionate share of \$683,000,000 principal amount of serial bonds of The City of New York (the "City") as provided in Schedules VII and VIII of the Restructuring Agreement. The City has indicated that it will require funds during the week of May 22, 1978. Accordingly, pursuant to the Agreement, the Corporation expects you to complete the purchases called for in the Agreement by Friday, May 26, 1978.

Under the Amended and Restated Agreement any Pension Fund could elect to purchase bonds of the Corporation equal in principal amount to its proportionate share of City bonds, within certain stated limits. No Pension Fund exercised such an option. Therefore, in view of limitations on the Corporation's bond issuance authority at the time of the Restructuring Agreement, this option was not included in the Restructuring Agreement.

17 May 1978
Harold Herkommer
Page Two

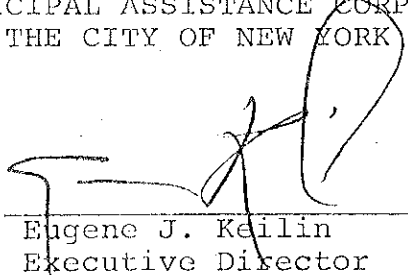
In light of the reservations expressed recently by certain representatives of the Pension Funds with respect to the purchase of additional City bonds at this time, the Corporation is offering each of the Pension Funds the option of purchasing its bonds in satisfaction of the Pension Funds' obligations under the Agreement, subject to the passage of State legislation which would increase the Corporation's borrowing authority. The bonds of the Corporation would be issued under a new third general bond resolution and would be purchased during the week of May 22, 1978, the same time set for the purchase of City bonds. In addition, if necessary in order to bring such purchase within the scope of Public Law 94-236, the Restructuring Agreement would be amended to provide specifically for the purchase of the Corporation's bonds.

A draft of an official statement with respect to the Corporation's proposed third resolution bonds is enclosed. The draft is currently being reviewed by our staff, directors and counsel, and is therefore subject to change. However, in order to expedite discussion of this alternative investment, we are sending you the document in preliminary form. We understand that the City is also preparing a draft of a proposed official statement which would be used in connection with your scheduled purchase of City bonds should you choose to fulfill your obligation in that manner.

We are available to discuss with you the alternative investments discussed herein.

Sincerely,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By: 
Eugene J. Keilin
Executive Director

EJK:bba

Enclosure

cc: George Lander, Esq.
Fried, Frank, Harris, Shriver & Jacobson



State of New York
Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, N. Y. 10047

Eugene Keilin
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17 May 1978

Writer's Direct Wire: (212) 488-5720

BY HAND

NEW YORK CITY FIRE DEPARTMENT PENSION FUND,
ARTICLE 1-B
110 Church Street
New York, New York 10007

ATT: Stephen J. Murphy

Gentlemen:

The Municipal Assistance Corporation For The City of New York (the "Corporation") and the Pension Fund are parties to an Agreement effective November 26, 1975 (the "Amended and Restated Agreement"), and amended and restated effective August 17, 1977 (the "Restructuring Agreement"), among the Corporation, the eleven New York City Commercial Banks that are members of the New York Clearing House Association, Inc., the five New York City pension funds, including your fund (the "Pension Funds") and the New York City sinking funds. (The Amended and Restated Agreement and the Restructuring Agreement are collectively referred to herein as the "Agreement".)

Pursuant to the Agreement you have agreed to purchase your proportionate share of \$683,000,000 principal amount of serial bonds of The City of New York (the "City") as provided in Schedules VII and VIII of the Restructuring Agreement. The City has indicated that it will require funds during the week of May 22, 1978. Accordingly, pursuant to the Agreement, the Corporation expects you to complete the purchases called for in the Agreement by Friday, May 26, 1978.

Under the Amended and Restated Agreement any Pension Fund could elect to purchase bonds of the Corporation equal in principal amount to its proportionate share of City bonds, within certain stated limits. No Pension Fund exercised such an option. Therefore, in view of limitations on the Corporation's bond issuance authority at the time of the Restructuring Agreement, this option was not included in the Restructuring Agreement.

17 May 1978
Stephen J. Murphy
Page Two

In light of the reservations expressed recently by certain representatives of the Pension Funds with respect to the purchase of additional City bonds at this time, the Corporation is offering each of the Pension Funds the option of purchasing its bonds in satisfaction of the Pension Funds' obligations under the Agreement, subject to the passage of State legislation which would increase the Corporation's borrowing authority. The bonds of the Corporation would be issued under a new third general bond resolution and would be purchased during the week of May 22, 1978, the same time set for the purchase of City bonds. In addition, if necessary in order to bring such purchase within the scope of Public Law 94-236, the Restructuring Agreement would be amended to provide specifically for the purchase of the Corporation's bonds.

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We are available to discuss with you the alternative investments discussed herein.

Sincerely,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By: 
Eugene J. Keillin
Executive Director

EJK:bba

Enclosure



State of New York
Municipal Assistance Corporation
For The City of New York
Two World Trade Center
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Robert C. Weaver

17 May 1978

Writer's Direct Wire: (212) 488-5720

BY HAND

NEW YORK CITY POLICE PENSION FUND, ARTICLE 2
One Police Plaza
New York, New York 10038

ATT: Daniel O'Neal Vona

Gentlemen:

The Municipal Assistance Corporation For The City of New York (the "Corporation") and the Pension Fund are parties to an Agreement effective November 26, 1975 (the "Amended and Restated Agreement"), and amended and restated effective August 17, 1977 (the "Restructuring Agreement"), among the Corporation, the eleven New York City Commercial Banks that are members of the New York Clearing House Association, Inc., the five New York City pension funds, including your fund (the "Pension Funds") and the New York City sinking funds. (The Amended and Restated Agreement and the Restructuring Agreement are collectively referred to herein as the "Agreement".)

Pursuant to the Agreement you have agreed to purchase your proportionate share of \$683,000,000 principal amount of serial bonds of The City of New York (the "City") as provided in Schedules VII and VIII of the Restructuring Agreement. The City has indicated that it will require funds during the week of May 22, 1978. Accordingly, pursuant to the Agreement, the Corporation expects you to complete the purchases called for in the Agreement by Friday, May 26, 1978.

Under the Amended and Restated Agreement any Pension Fund could elect to purchase bonds of the Corporation equal in principal amount to its proportionate share of City bonds, within certain stated limits. No Pension Fund exercised such an option. Therefore, in view of limitations on the Corporation's bond issuance authority at the time of the Restructuring Agreement, this option was not included in the Restructuring Agreement.

17 May 1978
Daniel O'Neal Vona
Page Two

In light of the reservations expressed recently by certain representatives of the Pension Funds with respect to the purchase of additional City bonds at this time, the Corporation is offering each of the Pension Funds the option of purchasing its bonds in satisfaction of the Pension Funds' obligations under the Agreement, subject to the passage of State legislation which would increase the Corporation's borrowing authority. The bonds of the Corporation would be issued under a new third general bond resolution and would be purchased during the week of May 22, 1978, the same time set for the purchase of City bonds. In addition, if necessary in order to bring such purchase within the scope of Public Law 94-236, the Restructuring Agreement would be amended to provide specifically for the purchase of the Corporation's bonds.

A draft of an official statement with respect to the Corporation's proposed third resolution bonds is enclosed. The draft is currently being reviewed by our staff, directors and counsel, and is therefore subject to change. However, in order to expedite discussion of this alternative investment, we are sending you the document in preliminary form. We understand that the City is also preparing a draft of a proposed official statement which would be used in connection with your scheduled purchase of City bonds should you choose to fulfill your obligation in that manner.

We are available to discuss with you the alternative investments discussed herein.

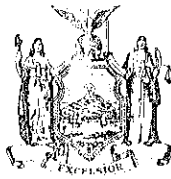
Sincerely,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By: 
Eugene J. Keilin
Executive Director

EJK:bba

Enclosure



State of New York
Municipal Assistance Corporation
For The City of New York

Two World Trade Center
New York, N. Y. 10047

Eugene Keilin
Executive Director

Felix G. Rohatyn
Chairman

(212) 488-5720

Board Members

Francis J. Barry
George M. Brooker
Thomas A. Coleman
Thomas D. Flynn
George D. Gould
Dick Netzer
Robert C. Weaver

11 May 1978

Writer's Direct Wire: (212) 488-_____

BY HAND

TEACHERS' RETIREMENT SYSTEM FOR THE CITY OF NEW YORK
40 Worth Street
New York, New York 10013

ATT: Wallace F. Sullivan

Gentlemen:

Pursuant to the First Amendment to the Amended and Restated Agreement made as of August 17, 1977 (the "Restructuring Agreement"), the New York City Pension Funds and Sinking Funds are scheduled to purchase approximately \$703 million aggregate principal amount of obligations of The City of New York prior to June 30, 1978.

Prior to the Restructuring Agreement, pursuant to the Amended and Restated Agreement of November 26, 1975, the Funds had the option to purchase obligations of the Municipal Assistance Corporation. For technical reasons, and at the suggestion of the Corporation, this option was not included in the Restructuring Agreement.

In light of the reservations expressed recently by representatives of the Funds with regard to additional investments in City bonds, the Board of Directors of the Corporation has considered an alternative approach to providing financing for the City.

The Corporation would offer each of the Funds the opportunity to purchase bonds of the Corporation instead of bonds of the City. These MAC bonds would be issued under a new Third General Bond Resolution, as described in the attachment to this letter. Purchase of MAC bonds would be authorized by an amendment to the Restructuring Agreement, which would be reviewed and approved by the Secretary of the Treasury.

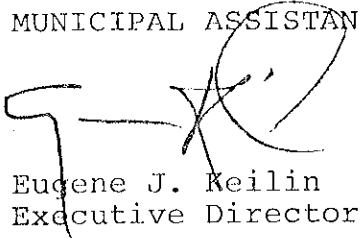
11 May 1978
TEACHERS' RETIREMENT SYSTEM FOR THE CITY OF NEW YORK
Page Two

If MAC Third Resolution Bonds were purchased, we believe we could offer you an option to exchange these bonds for comparable City Bonds once the City's future financial situation is settled.

Inasmuch as the City requires this financing during the week of May 22, 1978, we would appreciate your scheduling a meeting of your Board within the next few days in order to determine how you intend to proceed in this matter.

Sincerely,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

A handwritten signature in black ink, appearing to be 'E. Keilin', written over a circular stamp or mark.

Eugene J. Keilin
Executive Director

Attachment

EJK/lsd



State of New York
Municipal Assistance Corporation
For The City of New York

Two World Trade Center
New York, N. Y. 10047

Felix G. Rohatyn
Chairman

Eugene Keilin
Executive Director

(212) 488-5720

Board Members
Francis J. Barry
George M. Brooker
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Thomas D. Flynn
George D. Gould
Dick Netzer
Robert C. Weaver

Writer's Direct Wire: (212) 488- 5723

BY HAND

9 January 1978

Mr. Sol Lewis
Third Deputy Comptroller
The City of New York
Room 707
Municipal Building
New York, New York 10007

Dear Sol:

Thank you very much for your call this morning to inquire about the payments due to the Municipal Assistance Corporation from each of the five City Pension Funds pursuant to the Restructuring Agreement.

I am enclosing, for your information, copies of the letters which I sent to the Pension Funds last week, specifying the payments, which are due on February 1, 1978.

As I explained, each of the Pension Funds agreed, in signing the Restructuring Agreement on August 17, 1977, to make such a payment, which represents accrued interest for one month on the Corporation's bonds delivered under the Restructuring Agreement.

If you should have any further questions, please do not hesitate to call me.

Sincerely,

Stephen J. Weinstein
Deputy Executive Director

Enclosures (5): 4 January 1978 letters to Pension Funds.

SJW:ba



State of New York
Municipal Assistance Corporation
For The City of New York

Two World Trade Center
New York, N. Y. 10047

Eugene Keilin
Executive Director

Felix G. Rohatyn
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17 May 1978

Writer's Direct Wire: (212) 488-5720

BY HAND

TEACHERS' RETIREMENT SYSTEM FOR THE CITY OF NEW YORK
40 Worth Street
New York, New York 10013

ATT: Wallace F. Sullivan

Gentlemen:

The Municipal Assistance Corporation For The City of New York (the "Corporation") and the Retirement System are parties to an Agreement effective November 26, 1975 (the "Amended and Restated Agreement"), and amended and restated effective August 17, 1977 (the "Restructuring Agreement"), among the Corporation, the eleven New York City Commercial Banks that are members of the New York Clearing House Association, Inc., the five New York City pension funds, including your fund (the "Pension Funds") and the New York City sinking funds. (The Amended and Restated Agreement and the Restructuring Agreement are collectively referred to herein as the "Agreement".)

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Under the Amended and Restated Agreement any Pension Fund could elect to purchase bonds of the Corporation equal in principal amount to its proportionate share of City bonds, within certain stated limits. No Pension Fund exercised such an option. Therefore, in view of limitations on the Corporation's bond issuance authority at the time of the Restructuring Agreement, this option was not included in the Restructuring Agreement.

17 May 1978
Wallace F. Sullivan
Page Two

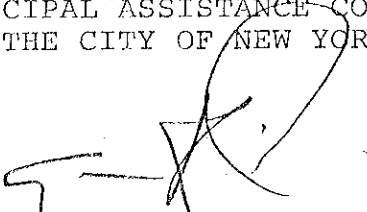
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A draft of an official statement with respect to the Corporation's proposed third resolution bonds is enclosed. The draft is currently being reviewed by our staff, directors and counsel, and is therefore subject to change. However, in order to expedite discussion of this alternative investment, we are sending you the document in preliminary form. We understand that the City is also preparing a draft of a proposed official statement which would be used in connection with your scheduled purchase of City bonds should you choose to fulfill your obligation in that manner.

We are available to discuss with you the alternative investments discussed herein.

Sincerely,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By: 

Eugene J. Keilin
Executive Director

EJK:bba

Enclosure

cc: Irving Jacobson, Esq.
Shea, Gould, Climento, Kramer & Casey



State of New York
Municipal Assistance Corporation
For The City of New York

Two World Trade Center
New York, N. Y. 10047

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Dick Netzer
Robert C. Weaver

17 May 1978

Writer's Direct Wire: (212) 488-5720

BY HAND

BOARD OF EDUCATION RETIREMENT SYSTEM FOR THE CITY OF NEW YORK
65 Court Street
Brooklyn, New York 11201

ATT: John LaCarrubba

Gentlemen:

The Municipal Assistance Corporation For The City of New York (the "Corporation") and the Retirement System are parties to an Agreement effective November 26, 1975 (the "Amended and Restated Agreement"), and amended and restated effective August 17, 1977 (the "Restructuring Agreement"), among the Corporation, the eleven New York City Commercial Banks that are members of the New York Clearing House Association, Inc., the five New York City pension funds, including your fund (the "Pension Funds") and the New York City sinking funds. (The Amended and Restated Agreement and the Restructuring Agreement are collectively referred to herein as the "Agreement".)

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17 May 1978
John LaCarrubba
Page Two

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Sincerely,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By: 

Eugene J. Keilin
Executive Director

EJK:bba

Enclosure

COPY

FRIED, FRANK, HARRIS, SHRIVER & JACOBSON

(STRASSER, SPIEGELBERG, FRIED & FRANK)

120 BROADWAY, NEW YORK, N. Y. 10005

212-964-6500

CABLE "STERIC, NEW YORK"

TELEX 620223

September 9, 1977

4411-2

Hon. Robert Mundsheim
General Counsel
Treasury Department
Washington, D. C. 20220

Dear Mr. Mundsheim:

As you requested, enclosed is a copy of an opinion letter which was sent to the New York City Employees' Retirement System today. If you have any questions, please do not hesitate to call us.

Sincerely,

Olson
Encl.

George Landler

cc: Mr. Harold Kertsonar
Janice Gralisholzer, Esq.
Janice Griffith, Esq.
Mr. Steven Weinstein

Mr. Tolson	
Mr. DeLoach	
Mr. Mohr	
Mr. Bishop	
Mr. Casper	
Mr. Callahan	
Mr. Conrad	
Mr. Felt	
Mr. Gale	
Mr. Rosen	
Mr. Sullivan	
Mr. Tavel	
Mr. Trotter	
Tele. Room	
Miss Holmes	
Miss Gandy	

✓

FRIED, FRANK, HARRIS, SHRIVER & JACOBSON

ARTHUR L. STRASSER (1905-1967)

MILTON R. ACKMAN
FRANKLIN L. BASS
KENNETH P. BLACKMAN
LEONARD CHAZEN
MARC P. CHERNO
ARTHUR A. FEDER
JOHN F. FINN, JR.
ARTHUR FLEISCHER, JR.
STEPHEN FRAIDIN
HANS J. FRANK
WALTER J. FRIED
VICTOR S. FRIEDMAN
HERBERT L. GALANT
MATTHEW GLUCK
ROBERT S. GREENBAUM
SAM HARRIS
EDWIN HELLER
HERBERT HIRSCH
ARNOLD HOFFMAN
ALLEN I. ISAACSON
BERNARD E. JACOB

LESLIE A. JACOBSON
WILLIAM JOSEPHSON
ROBERT E. JUCEAM
STUART Z. KATZ
SANFORD KRIEGER
RICHARD O. LOENGARD, JR.
FREDERICK LÖBCHER
BENJAMIN NASSAU
DANIEL D. POSNER
ROBERT H. PRUSKEL
SHELDON RAAB
MICHAEL H. RAUCH
WILLIAM I. RIEGELMAN
LAURENCE ROSENTHAL
PETER J. RYAN
DANIEL P. SCHECHTER
SANGANI SHRIVER
MAYER SIEGEL
LEON SILVERMAN
HERMANN E. SIMON
LEWIS A. STERN

(STRASSER, SPIEGELBERG, FRIED & FRANK)
120 BROADWAY, NEW YORK, N.Y. 10005

(212) 964-6500

CABLE "STERIC NEW YORK"

TELEX:

W. U. INTERNATIONAL-620223

ITT INTERNATIONAL-424065

W. U. DOMESTIC-128173

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TELECOPIER (212) 964-7682

1 THROUGHMORTON AVENUE
LONDON EC2M 2JT, ENGLAND
(01) 626-7814
TELEX 687606
CABLE "TO LOND LONDON EC2"

JERRY L. SMITH
RESIDENT PARTNER

FRIED, FRANK, HARRIS, SHRIVER
& KAMPELMAN

600 NEW HAMPSHIRE AVE., N.W.
WASHINGTON, D.C. 20037
(202) 965-9400
TELEX: W.U. 852406
TELECOPIER (202) 337-5867

RICHARD B. BERRYMAN
DAVID E. BIRENBAUM
JAMES B. BLINKOFF
MILTON EISENBERG
JOEL R. FEIDELMAN
MAX M. KAMPELMAN
KENNETH S. KRAMER
ARTHUR LAZARUS, JR.
MELVIN RISHE
RICHARD SCHIFTER
DANIEL M. SINGER

GEORGE A. SPIEGELBERG
COUNSEL

September 9, 1977

HAROLD P. GREEN
FREDERICK SANS
COUNSEL

FILE

4811-2

New York City Employees'
Retirement System
220 Church Street
New York, New York 10013

Gentlemen:

The New York City Employees' Retirement System ("NYCERS") is a party to the Amended and Restated Agreement of November 26, 1975 ("Amended and Restated Agreement"), which agreement has been amended and restated in its entirety by the First Amendment to the Amended and Restated Agreement, made as of August 17, 1977 ("First Amendment").

Pursuant to the provisions of the First Amendment NYCERS has undertaken the following obligations:

1. As formerly provided by paragraph 7 of the Amended and Restated Agreement, during the 1977-1978 fiscal year of The City of New York ("City") NYCERS is to (i) purchase up to \$235,000,000 principal amount of serial bonds of the City and (ii) purchase \$104,655,000 principal amount of serial bonds of the City, representing the principal amount of the bonds of the City, already purchased by NYCERS pursuant to the Amended and Restated Agreement, which the City is required to amortize prior to June 30, 1978.

2. On September 7, 1977, or at such later time as all parties may agree ("Closing Time") NYCERS is to exchange certain short term notes of The City in

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the total principal amount of \$143,750,000 ("City Notes"). The City Notes are held by NYCERS pursuant to paragraphs 1 through 3 of the Amended and Restated Agreement, bear interest at the rate of 6 percent per annum and mature on June 30, 1986. They are to be exchanged for an equal principal amount of Series 9 Bonds of MAC which bear interest at the rate of 7-1/2 percent per annum and mature on July 1, 1992.

3. At the Closing Time NYCERS is to exchange certain MAC Bonds in the total principal amount of \$254,130,000 ("Old MAC Bonds"). The Old MAC Bonds are held by NYCERS pursuant to paragraph 5 of the Amended and Restated Agreement, bear interest at the rate of 6 percent per annum and mature on February 1, 1986. They are to be exchanged for (i) Series FF Bonds of MAC in the total principal amount of \$22,115,000 which bear interest at the rate of 7-1/2 percent per annum and mature on February 1, 1986 and (ii) Series HH Bonds of MAC in the total principal amount of \$232,015,000 which bear interest at the rate of 7-1/2 percent per annum and mature on February 1, 1995.

4. On February 1, 1978 NYCERS is to pay to MAC an amount equal to 0.125 percent of the principal amount of the Old MAC Bonds. This amount represents, for the month of August 1977, the difference between the 7-1/2 percent per annum interest to be received on the 1977 Series FF Bonds and the 1977 Series HH Bonds and the 6 percent per annum interest provided for by the Old MAC Bonds.

5. For a period not to exceed thirty days after the Closing Time NYCERS is not to sell, offer to sell or otherwise dispose of any of the Series 9 Bonds, Series FF Bonds or Series HH Bonds.

You have requested our opinion as to whether, if the transactions outlined above were consummated in accordance with the First Amendment, NYCERS would, solely by reason of the consummation of the transactions, (i) fail to satisfy the requirements of Section 401(a) of the Internal Revenue Code of 1954 (the "Code") or (ii) have engaged in a prohibited transaction described in Section 503(b) of the Code. Based upon the foregoing and for the reasons set forth below, in our opinion both questions should be answered in the negative.

New York City Employees'
Retirement System

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Section 1(a) of Public Law 94-236 provides that:

"any pension plan or trust which, on December 5, 1975 was a party to the amended and restated agreement of November 26, 1975 ...shall not be considered to fail to satisfy the requirements of Section 401(a) of the Internal Revenue Code of 1954, and shall not be considered to have engaged in a prohibited transaction described in Section 503(b) of such Code, merely because such plan or trust does any or all of the following:

(1) (A) enters into such agreement or agrees to an amendment of such agreement;

(B) forebears from any act prohibited by such agreement;

(C) acquires or holds any obligation the acquisition or holding of which is provided for by such agreement;

(D) makes any election provided for by such agreement;

(E) executes a waiver of any requirement of such agreement;

(F) after the expiration of such agreement holds any obligation acquired or held pursuant to such agreement; or

(G) performs any other act provided for by such agreement..."

Section 1(b) of Public Law 94-236 further provides that:

"In case of -

(1) any amendment to the agreement described in subsection (a) which relates to the application of the factors set forth in subsection (a) to the requirements of Section 401(a) or 503(b) of the Internal Revenue Code of 1954 and which is adopted after December 5, 1975

....

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such amendment or waiver shall take effect for purposes of subsection (a) on the date on which a copy of such amendment or waiver is submitted directly to the Secretary of the Treasury; except that, if the Secretary determines not later than 30 days after such date of submission...that the taking effect of such amendment or waiver for purposes of subsection (a) is inconsistent with the considerations set forth in subsection (a)(2), such amendment or waiver shall not be deemed to have been effective for any period for purposes of subsection (a)...."

Public Law 94-236 does not in any way limit the substantive content of any such amendments.

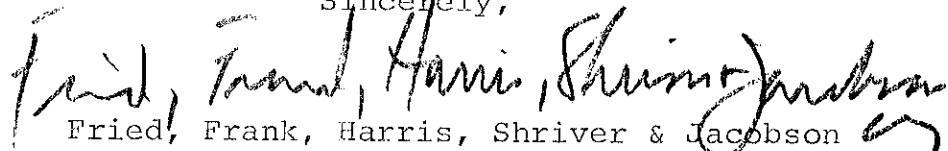
The First Amendment in an amendment to the Amended and Restated Agreement as described above in subsection (b) of Public Law 94-236.

As a condition to the closing of the transactions outlined above the First Amendment provides that:

"...the Secretary of the Treasury of the United States of America shall not, within the time provided in [Public Law 94-236], have determined that the taking effect of this amendment is inconsistent with the considerations set forth in Section (a)(2) of such Law or shall have notified each Pension Fund in writing that he will not determine that the taking effect of this Amendment is inconsistent with such considerations."

If the Secretary of the Treasury pursuant to Section 1(b) of Public Law 94-236 (i) does not make the determination or (ii) gives the notice envisaged by the First Amendment, then in our opinion under Section 1(a) of Public Law 94-236 NYCERS would not (i) have failed to satisfy the requirements of Section 401(a) of the Code or (ii) have engaged in a prohibited transaction described in Section 503(b) of the Code.

Sincerely,


Fried, Frank, Harris, Shriver & Jacobson

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COUNSEL

February 9, 1977

OUR REFERENCE

1359-2

BY HAND

Mr. Victor Gotbaum
Executive Director
District Council 37
140 Park Place
New York, New York 10007

Dear Vic:

On December 16, 1976 you wrote to Comptroller Goldin stating that you would request at all future Pension Fund-City bond closings an opinion to the effect that no party is in breach of any provision of the Amended and Restated Agreement of November 26, 1975 (the "Agreement"). Allen Thomas, Esq. of Paul, Weiss, Rifkind, Wharton & Garrison, counsel to the Municipal Assistance Corporation ("MAC"), wrote to Comptroller Goldin with reference to your letter requesting that he be given as much advance notice as possible of any request for such an opinion. The letter from Mr. Thomas further indicates that he may not be in a position to give an opinion of this sort.

On February 3, 1976 the eleven "Clearing House Association Banks" ("Banks") who are parties to the Agreement filed a motion to intervene with the Court of Appeals maintaining that their holdings of certain short-term city

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notes, which they agreed not to present for payment pursuant to the Agreement, should be included in any moratorium repayment plan. They contend that the Court of Appeals decision in the Flushing National Bank case declaring the moratorium to be unconstitutional has nullified their obligations under the Agreement. The Court of Appeals has denied their motion but has also left the decision as to the Banks' rights to State Supreme Court Justice James Gibson, who has been designated by the Court to handle the case from now on.

If the Banks' interpretation of the Agreement is correct, then a number of important issues are raised for the trustees of the Pension Funds which are also parties to the Agreement.

1. Should the Pension Funds, as holders of certain short-term notes subject to exactly the same provisions of the Agreement as the notes held by the Banks, intervene in the proceeding in order that their notes also be included in the repayment plan? While this, of course, would worsen The City's financial burden, the intervention could take the form of a memorandum of law opposing the Banks' position, but also stating that if the Banks are correct then the notes held by the Pension Funds must also be included in the repayment plan.

2. If the moratorium decision did in fact end the obligations of the Banks pursuant to the Agreement, then the Pension Funds are no longer obligated to invest in City or MAC obligations pursuant to the Agreement. We have recently communicated with Mr. Sol Lewis, Third Deputy Comptroller of The City of New York, and he has informed us that the next Pension Fund purchase of City obligations is tentatively scheduled for the week of February 25 and is tentatively scheduled for an amount of \$500 million. Thus, the issue of the Pension Funds' continued investment is shortly to be raised in an acute form.

3. Obviously, The City's and the Pension Funds' interests in the foregoing two issues are not consistent. This raises anew the issue of separate legal representation of the Pension Funds. Formal action by the Pension Funds to retain independent counsel would also limit District Council 37's current exposure for fees for independent counsel on your behalf as a trustee of the New York City Employees' Retirement System.

4. Another issue created by the Banks' apparent withdrawal from the Agreement is its effect on the Federal Credit Agreement under which the federal government is providing The City with \$2.3 billion in seasonal financing loans.

Mr. Victor Gotbaum

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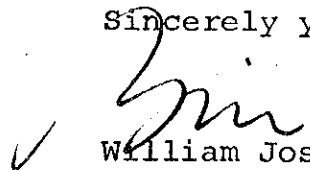
February 9, 1977

As you know this agreement provides that the Secretary of the Treasury of the United States may only make such loans if he "shall have determined that there is reasonable prospect of repayment of the loan in accordance with its terms and conditions." Section 11.3 of the Federal Credit Agreement requires MAC "to the extent permitted by law ... [to] take all reasonable steps to assure performance of [the] [A]greement by each of the other parties thereto." Therefore, MAC is obligated pursuant to the terms of the Federal Credit Agreement to insure the Banks' performance of its obligations under the Amended and Restated Agreement. What will MAC do? If the federal government were to end the loan program, could the Pension Funds' trustees prudently waive the Banks' breach of the Agreement and continue to honor their obligations under it?

5. The Banks' written settlement proposals that we have seen also, as you know, raise issues for the Pension Funds' trustees. For example, if the Banks are willing to purchase new City bonds only if their payment is specially secured on the Yonkers model, the Pension Funds' trustees need to consider whether or not to insist that the same bonds be issued to them, not only for future purchases but for present holdings as well. Indeed, the holders of all City bonds may have a legal right to such special repayment provisions.

Obviously, these issues will require careful study by the Pension Funds' trustees and their advisors. At the same time, they should consider educating the public as to the consequences of the Banks' actions in terms of the federal government's loan commitment and the Pension Funds' future City bond purchase commitment. Jack Bigel's recent New York Times article was a good step in that direction but more could have been and needs to be said.

Sincerely yours,


William Josephson

WJ:fm

cc: Joan Kiok, Esq.
Mr. Arthur Tibaldi
Mr. Al Viani
Mr. Jack Bigel