



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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BY HAND

13 June 1977

Bernard Friedlander, Esq.
CITY OF NEW YORK
Department of Law
1549 Municipal Building
One Centre Street
New York, New York 10007

Dear Mr. Friedlander:

Pursuant to the Amended and Restated Agreement of November 26, 1975, (the "Agreement") the New York Clearing House Banks (the "Banks") and the New York City Pension Funds (the "Pension Funds") agreed not to tender or otherwise accept any offer for exchange of any City notes held by them for bonds of the Municipal Assistance Corporation For The City of New York (the "Corporation").

Prior to November 19, 1976, which period included the dates of the Corporation's various offers to exchange City notes for its Series 1 through 6 bonds, none of the parties to the Agreement had stated to the Corporation that they did not consider themselves bound by the terms thereof.

Subsequently, the Banks have stated that they do not consider themselves bound by certain terms of the Agreement as a result of a decision of the New York State Court of Appeals on November 19, 1976, in Flushing National Bank v. Municipal Assistance Corporation, 40 N.Y. 2d 731 (1976). The City and the Corporation have stated that they believe that the Banks continue to be bound by such terms.

The terms of the Corporation's Exchange Offer dated March 22, 1977, for its 1977 Series 7 Bonds expressly excluded short-term City notes held by the Banks and the Pension Funds. The Letter of Transmittal which accompanied each tender of City notes pursuant to that Exchange Offer, as signed by each tendering party, included the statement that:

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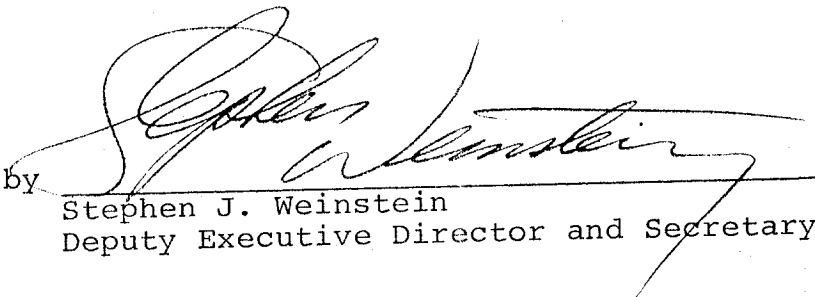
"The undersigned hereby further represents and warrants that the Notes are not tendered for the account of one of the 11 commercial banks which are members of the New York Clearing House Association, Inc., or the five New York City Pension Funds, all of which are parties to the Amended and Restated Agreement with the Corporation dated November 26, 1975."

On the basis of the foregoing facts, it is the Corporation's information and belief that none of the Banks and Pension Funds have exchanged City notes which were held by them for their own accounts and which were subject to the Agreement on November 26, 1975, pursuant to any of the Corporation's various offers to exchange bonds of the Corporation for certain outstanding City notes.

Further, you are hereby informed that the Corporation has not issued any new bonds based upon debt service savings to the Corporation resulting from the operation of Paragraph 5 of the Agreement.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Signed by


Stephen J. Weinstein
Deputy Executive Director and Secretary

SJW/lsd