September 24, 1976

TO:  Felix Rohatyn and Allen Thomas

FROM: Steve Weinstein

RE:  Pension Fund Investments

Attached is a copy of the recent draft staff report of the Pension Task Force of the U.S. House of Representatives, concerning New York City pension fund investments in City and MAC obligations.

SJW:lg
Attachment
MEMORANDUM

To: Felix Rohatyn
    Eugene Keilin
    Simon H. Rifkind, Esq.
    Allen Thomas, Esq.

From: Steve Weinstein

Date: September 22, 1976

RE: MOODY'S INVESTORS SERVICE, INC.

I am enclosing a copy of a letter from Mr. John D. Lockton, Jr., President of Moody's, to Mr. Arnold Cohen, and attachments, which were received at the Corporation's office today, addressed to Mr. Rohatyn from Mr. Cohen. This may be of interest in connection with the proposed litigation against Moody's.

encl.
September 7, 1976

Mr. Arnold Cohen
Box 1500
Hollywood, Florida 33022

Dear Arnold:

I have read your excellent letters to various politicians and news media with great interest, and with, as you know, a belief in the correctness of your position.

Perhaps your letters will force some recognition of the plight of holders of moratoriumed New York City notes. We hope so. Even if the Supreme Court does not act, it is time someone spoke out forcefully on the subject and this you have done very well.

My congratulations to you. If you and others like you won't "roll over and play dead" like the politicians want perhaps there is some hope for New York and its various note and bondholders.

Best regards,

Sincerely,

[Signature]

JDL:sd
Honorable Warren Burger, Chief Justice
United States Supreme Court
Washington, D.C. 20543

Dear Justice Berger:

The attached letter was sent to me by Mr. John Lockton, Jr., President of Moody's Investment Service Inc., a subsidiary of Dun and Bradstreet.

This was his response to receiving a duplicate copy of the correspondence which I addressed to your Honor, dated September 1, 1976 - an additional copy is enclosed.

Perhaps when a person such as Mr. Lockton, who is in a responsible and high position for one of the world's most respected business firms, and who is also an attorney, confirms the gravity and importance of the situation I previously outlined for you, it will become more credible and of greater significance. Then, hopefully it should behoove the supreme powers that be of this great nation, to see justice properly served.

Respectfully submitted.

Very truly yours,

Arnold Cohen
Box 1500
Hollywood, Florida 33022
(305) 925-1111

AC:dc

Enclosure
Honorable Warren Burger, Chief Justice  
United States Supreme Court  
Washington, D. C. 20543

September 1, 1976

Re: Flushing Nat'l Bank, et aux  
vs  
City Of New York, et al  
N. Y. Court Of Appeals Case #391

Dear Justice Burger:

This is to advise you about a matter which should be of significant importance and concern to you as a Justice of the United States Supreme Court.

The ongoing situation referred to involves the recent legislation enacted by the State of New York. I contend that Governor Hugh Carey and the supporting members within the New York State Legislature have knowingly, willingly and wrongfully, with wanton disregard for the citizen's rights, defiantly violated the 14th Amendment of the United States Constitution, as well as Article 8, Section 2, of the New York State Constitution, but not limited thereto.

Governor Hugh Carey's unscrupulous and reprehensible actions are well calculated and designed to deprive thousands of innocent and worthy Americans of their rights as guaranteed by the United States and New York State Constitution.

When taken in proper perspective, the reality is that Governor Hugh Carey and his legislative colleagues have perpetrated what amounts to one of the biggest fraudulent acts ever recorded in the history of the United States government.

The direct result of this is the continued irreparable damages suffered by the American public physically, personally and financially.

Specifically, during November, 1975, the New York State legislature passed into law a moratorium discriminating against an isolated class of New York City noteholders. In effect, this unconstitutional legislation deliberately prevents these New York City noteholders from receiving repayment of their money for at least three years after the respective note's due dates of December, 1975, January, February and March, 1976. This unconscionable moratorium also deprives the noteholders of the right to maintain any legal action to obtain timely repayment of these notes in accordance with the original contract and representations under which the City of New York sold these notes to the trusting public.

A number of civil court actions have been filed against the City and State of New York, as well as certain respective members of the New York City and State governments, and are all currently pending. However, all the litigation is bogged down in New York State's inferior lower courts who are highly influenced by the politicians who virtually control the appointed judges.
The likelihood of any court within the State of New York rendering a decision on the merits of the case, and contrary to the orders and desires of Governor Hugh Carey is highly unlikely and probably next to impossible.

Eventually, if the routine judicial procedures continue, this case will find its way to the doorstep of the United States Supreme Court. Then, inevitably, based on the merits, the noteholders moratorium would have to be declared unconstitutional in every respect, and repayment to the noteholders ordered forthwith.

In the meantime, the clock is ticking away while Governor Hugh Carey's well planned judicial delaying processes triumphs over and impedes justice in his state's courts. What is at stake here is the well-being, life earnings and savings of thousands of innocent, unsuspecting Americans who trusted their government and purchased these New York City Notes. Subsequently, the noteholders have learned that they have been victimized by a horrendous fraud which they are virtually powerless to do anything about. Now Governor Hugh Carey and the New York State government have advised the noteholders to forget about their hard earned money (which many need so desperately and were clearly entitled to have received repayment of months ago) and just go away quietly and live out their lives as though nothing happened.

Governor Hugh Carey and the other New York City and State officials know that justice will prevail sooner or later. However, they have engineered that it happen later... much, much later. If this scheme is allowed to run its plotted course... and is not dealt with here and now, as well it should be, justice will come too late to be of any meaningful consequence.

I understand that when such a flagrant violation of the United States Constitution and travesty of justice occurs, the United States Supreme Court reserves the right to move swiftly and step in to take jurisdiction over the matter.

It is with the foregoing thoughts in mind that I am herewith petitioning the United States Supreme Court to immediately review this matter and hopefully move with due diligence to take appropriate action accordingly to restore the status quo.

Very truly yours,

Arnold Cohen
Box #1500
Hollywood, Florida 33022
(305) 925-1111

Also re: Burton Abrams, et aux
vs.
City OF New York, et al
U.S. District Court - N.Y.C.
Case # 75 Civ 3981
A true copy of the attached correspondence has been sent to each of the persons listed herein.

Gerald R. Ford, President
Nelson Rockefeller, Vice President
Jimmy Carter, Presidential Candidate
Eugene McCarthy, "
Walter Mondale, Vice Pres. Candidate
Robert Dole, "
Edward H. Levi, Attorney General
Robert Simon, Treasury Secretary
Arthur Burns, Chairman Federal Reserve
W. J. Usery, Secretary Of Labor
Ron Nessen, Presidential Press Secretary
Alan Greenspan, Presidential Economic Advisor
Abraham Beame, Mayor New York City
Arthur Levitt, Comptroller New York City
John O'Connor, Chairman S.E.C.
Richard Simmons, Vice Pres. Dun & Bradstreet
Jacob Javits, Senator New York
Brendon Harrises, Pres. Standard & Poors
Felix Rohatyn, Chairman M.A.C.
David Rockefeller, Chase Manhattan Bank, New York
Edward Kennedy, Senator Massachusetts
William Spencer, Pres. 1st Nat'l City Bank, New York
Hubert H. Humphrey, Senator Minnesota
Bella Abzug, Representative New York
Moon Landrieu, Mayor New Orleans
Thomas O'Neill, Representative, New York
Carl Albert, Representative, Speaker of the House
James F. Buckley, Senator New York
William Proxmire, Senator
Burton Abrams, Esq.
Harrison Goldin, Comptroller, New York City
Jack Farber, Pres. Fushing Nat'l Bank, New York
Arthur Richenthal, Esq.
Stephen Berger, New York Financial Control Board
David Margolis, "
Albert V. Casey, "
Ralph Nader
Hon. Hugh L. Carey, Governor New York
Hon. Rueben Askew, Governor Florida
Harry W. Albright, Pres. Dimes Savings Bank, N.Y.
J. Carter Bicot, " Bank of New York
Thomas Clausen, " Bank of America, California
James R. Drumwright, " Bank of America, New York
William Batten, Chairman, New York Stock Exchange
Paul Kolton, Chairman, American Stock Exchange
James A. Lebenthal, Pres. Lebenthal & Co. Inc.
William R. Salomon, Salomon Brothers, New York
Donald Reagen, Pres. Merrill Lynch Pierce Fenner & Smith
Hon. Richard Owen, Judge -
U.S. District Court - New York City
Robert Metz, New York Times
U.S. News & World Report - Editor
NewswEEK Magazine
Time
New York Law Journal
Womans Wear Daily

Hon. William J. Brennan, Associate Justice
" Potter Stewart, "
" Byron R. White, "
" Thurgood Marshall, "
" Harry A. Blackmun, "
" Lewis F. Powell, Jr., "
" William H. Rehnquist, "
" William O. Douglas, "
New York State Court Of Appeals, Albany, N.Y.
Hon. Charles Breitel, Chief Judge
" Matthew Masen, Judge
" Dominic Gabrielli, "
" Hugh Jones, "
" Soli Wachtler, "
" Jacob Fuchsberg, "
" Lawrence Cooke, "
John Chancellor, N.B.C. News
Johnny Carson, "
Irving R. Levine "
Tom Snyder, "
Tom Brokaw, "
Chevy Chase, "
Jim Newman, "
Carl Stern, "
David Brinkley, "
Lloyd Dobyns, "
Harry Reasoner A.B.C. News
Barbara Walters, "
Harry K. Smith, "
Geraldo Rivera, "
John Lindsay, "
Walter Cronkite C.B.S. News
Daniel Schorr, "
Mike Wallace, "
Douglas Edwards, "
Jack Anderson
Paul Harvey
Dick Davis
Gabe Pressman, WNEW TV, New York
Wayne Farris, WCRT TV, Miami, Fla.
Ralph Rennick, WTVJ TV, Miami, Fla.
Jim Brosemer, WTVJ TV, Miami, Fla.
William B. Williams, WNEW, New York
Chief Editorial Editors:
United Press International
Associated Press
Washington Post
New York Times
New York Post
New York News
Newsday
Wall Street Journal
Los Angeles Times
Palm Beach Times & Post
Miami Herald
Hollywood Sun-Tattler
Ft. Lauderdale News
Village Voice, New York City
A.B.C. - Network, New York City
C.B.S. - "
N.B.C. - "
"
September 24, 1976

Mr. John D. Lockton, Jr.
President
Moody's Investors Service, Inc.
99 Church Street
New York, N.Y. 10007

Dear Mr. Lockton:

It was with stunned disbelief that we read your exchange of correspondence with Mr. Arnold Cohen of Florida, who circulated it widely. It gives his views the appearance of respectability. You have aligned yourself, and obviously support, the views of a man who refers to the Governor of this State as having "knowingly and wrongfully...defiantly violated the Constitution of the United States", a man who calls Governor Carey "unscrupulous and reprehensible" and accuses him and the Legislature of having perpetrated "one of the biggest fraudulent acts ever recorded in the history of the United States Government." You align yourself with, and support the views, of a man who refers to New York State's courts as being "highly influenced by the politicians who virtually control the appointed judges."

In your letter to Mr. Cohen, who is obviously close to you since you refer to him by his first name, you indicate that even if the Supreme Court does not agree with his and your views, the Supreme Court's position should be protested, and you suggest to a man, whose scurrilous assertions about Governor Carey are beneath contempt, that one shouldn't "roll over and play dead."

Governor Carey and those around him, countless State and City officials, labor leaders and bankers, have slaved over the last year and a half to save a city in which you and your organization are headquartered. You, sir, are viewed as a responsible member of the financial community. The organization of which you are president is supposed to be an impartial arbiter of credit ratings, including that of the Municipal Assistance Corporation. You have aligned yourself, by your support of Mr. Cohen and the Flushing Bank litigation, with the position of favoring bankruptcy for the City of New York.
September 24, 1976

Leaving aside the social and cultural agony which would result from such an action, which is obviously of no concern to you, the propriety of taking such a position by the President of Moody's is reprehensible to say the least. In addition, the economic cost to the City, to the State, to the banking system and to the national economy, of a bankruptcy of New York City, is obviously of no concern to you.

We will follow your advice and "will not roll over and play dead" to Moody's or to anybody else. It is perfectly obvious from your exchange with Mr. Cohen that you hold deep emotional views aimed at the Governor and the officials of this State, relating to the moratorium legislation passed last year. Whether this is a result of Moody's maintaining its A rating on City notes at a time when it was apparent these notes were in jeopardy, is for others to decide. However, your open support for Mr. Cohen's position, in the light of your responsibilities, confirms our belief that Moody's is unfit to judge M.A.C.'s credit and that Moody's should forthwith discontinue its rating of our securities.

We had, up to now, been baffled by the financial illiteracy of Moody's downgrading of M.A.C. bonds. The bonds continued superior performance in the marketplace, the continued A rating maintained by Standard & Poor's and the maintenance of its investment rating by the Federal and State banking regulators, after review, supported our position. Your letter clarifies this matter, however, since Moody's position is obviously one of political dogma, and not of credit rating.

We have turned this matter over to counsel for their study but we believe that the simplest resolution of this situation would be Moody's recognition that they are disqualified to rate our bonds and therefore discontinue our rating forthwith.

Very truly yours,

Chairman

Chairman of the Finance Committee
September 21, 1976

Mr. Ed Griffin
United States General Accounting Office
Room 4112
26 Federal Plaza
New York, New York 10007

Dear Mr. Griffin:

I am enclosing, as you requested, a copy of Judge Gagliardi's recent opinion in Federal District Court in the Ropico case, concerning the validity of the New York State Emergency Moratorium Act. As you know, the decision in that case granted the defendants' motions of summary judgment, thereby dismissing the plaintiffs' complaints alleging that the statute violates Federal law.

Sincerely,

[Signature]

Stephen J. Weinstein
Counsel

SJW:ek

Enclosure
Mr. George E. Krauss  
Vice President  
Martindale-Hubbell, Inc.  
One Prospect Street  
Summit, New Jersey 07901

Re: Law Directory Listing

Dear Mr. Krauss:

Your letter, dated September 17, 1976, with regard to my prospective listing in the upcoming edition of your Law Directory, contains information which is in error.

Your letter correctly records my present professional position as Counsel, Municipal Assistance Corporation For The City of New York, 2 World Trade Center (Suite 4540), New York, N.Y. 10047.

However, I am in fact a Member of the Bar of the State of New York. This is in addition to my previous admissions to the bar in the State of Illinois and the District of Columbia.

Therefore, I would appreciate your expeditious correction of the misinformation in your files, so that the new listing will indicate my New York Bar membership, the jurisdiction in which I am presently located.

Sincerely,

[Signature]

Stephen J. Weinstein  
Counsel
Mr. Stephen J. Weinstein

c/o Counsel, Municipal Assistance Corporation
2 World Trade Center, Suite 4540
New York, New York 10047

Dear Mr. Weinstein:

As you probably know, in the Martindale-Hubbell Law Directory we undertake to list, without charge or other obligation, all individuals whom we know to be lawyers and on whom we have certain basic information. Listings are not limited to practicing lawyers, but include also those who may be retired, in government service, associated with business concerns, educational institutions, etc.

Even if a lawyer is not admitted in the jurisdiction where he is located, he should, nevertheless, be listed in our Directory. In such a case, however, in order to avoid any misunderstanding as to his status, the listing customarily includes the parenthetical statement "(admitted in Ill.; not admitted in N.Y.)". If a lawyer has been admitted in more than one jurisdiction, only the state of first admission is shown.

We understand that you are not admitted to the Bar of the jurisdiction where you are now located. Accordingly, you will be listed beginning with our next edition in the manner above indicated. If you should become admitted to the Bar of your present jurisdiction or should remove therefrom, please notify us so that we may make the necessary revision in your listing.

Very truly yours,

MARTINDALE-HUBBELL, INC.

George E. Krauss

GEK: sd
Enclosure
18
September 17, 1976

Mr. George M. Brooker
Webb & Brooker, Inc.
2311 Adam Clayton Powell, Jr. Boulevard
New York, New York 10030

Dear Mr. Brooker:

Felix Rohatyn has asked me to respond to your letter regarding the inquiry which you received from the Amsterdam News about the Corporation's policy concerning its legal advertising.

The Corporation placed the notice for its recent Solicitation of Tenders locally only in the New York Times, the New York Daily News and the New York Post, and nationally only in the Wall Street Journal. This was done in order to achieve maximum exposure at minimum expense.

The Corporation has made it a practice not to place legal advertising in newspapers with less than city-wide distribution. Given the large number of community papers published in New York City, to do otherwise would substantially increase the Corporation's cost for such advertising, without any substantial increase in the coverage provided.

We appreciate your concern over this matter, and hope that this information provides sufficient basis for your to reply to the inquiry from the Amsterdam News.

Sincerely,

[Signature]
Stephen J. Weinstein
Counsel

SJW:ek
September 14, 1976

Mr. P. Santivasci
U.S. Trust Co.
130 John Street
New York, New York 10004

Dear Mr. Santivasci:

You have today paid Chase Manhattan Bank $250 million plus interest to redeem our Subordinated Note held by the State of New York. Please place any balance remaining in our Subordinated Note account into our Debt Service account. Since our next debt service payment will be February 1, 1977, please invest this balance in U.S. Treasury bills maturing January, 1977.

Sincerely,

[Signature]
Stephen J. Weinstein
Secretary
September 13, 1976

Dear Mrs. Bennett:

Thank you for your letter.

I assure you I understand and appreciate the hardship of your present circumstances, due to the moratorium regarding payment of principal and notes of the City of New York. At the same time, the moratorium was a painful, but very necessary, step in restoring the fiscal health of New York City.

I recognize the very real plight of retired people who are City noteholders, such as yourselves, and the inequity of depriving you of a portion of your anticipated retirement resources. Felix Rohatyn, Chairman of the Municipal Assistance Corporation, and his staff are presently exploring possible ways of providing relief to needy investors who are now unable to collect principal on City notes. However, there appear to be significant legal barriers to an early solution to this important problem.

Thank you for bringing this matter to my personal attention. I appreciate your patience and understanding.

Sincerely,

/s/ Hugh L. Carey

Mrs. K. Bennett
303 West 56th Street, Apt. 76B
New York, New York 10023

cc: Mr. Stephen J. Weinstein, Municipal Assistance Corporation
September 13, 1976

Dear Mrs. Murray:

Thank you for your letter.

I assure you I understand and appreciate the hardship of your present circumstances, due to the moratorium regarding payment of principal and notes of the City of New York. At the same time, the moratorium was a painful, but very necessary, step in restoring the fiscal health of New York City.

I recognize the very real plight of retired people who are City note holders, such as yourselves, and the inequity of depriving you of a portion of your anticipated retirement resources. Felix Rohatyn, Chairman of the Municipal Assistance Corporation, and his staff are presently exploring possible ways of providing relief to needy investors who are now unable to collect principal on City notes. However, there appear to be significant legal barriers to an early solution to this important problem.

Thank you for bringing this matter to my personal attention. I appreciate your patience and understanding.

Sincerely,

/s/ Hugh E. Carey

Mrs. Walter D. Murray
3410 Clarendon Road
Brooklyn, New York 11203

cc: Mr. Stephen J. Weinstein, Municipal Assistance Corporation
September 13, 1976

Dear Mrs. Feldman:

Thank you for your letter.

I assure you I understand and appreciate the hardship of your present circumstances, due to the moratorium regarding payment of principal and notes of the City of New York. At the same time, the moratorium was a painful, but very necessary, step in restoring the fiscal health of New York City.

I recognize the very real plight of retired people who are City note holders, such as yourselves, and the inequity of depriving you of a portion of your anticipated retirement resources. Felix Rohatyn, Chairman of the Municipal Assistance Corporation, and his staff are presently exploring possible ways of providing relief to needy investors who are now unable to collect principal on City notes. However, there appear to be significant legal barriers to an early solution to this important problem.

Thank you for bringing this matter to my personal attention. I appreciate your patience and understanding.

Sincerely,

/s/ Hugh L. Carey

Mrs. Sara G. Feldman
393 West End Avenue
New York, New York 10024

cc: Mr. Stephen J. Weinstein, Municipal Assistance Corporation
September 8, 1976

Alan Martin, Esq.
Assistant Corporation Counsel
The City of New York
Law Department
Municipal Building
New York, New York 10007

Dear Mr. Martin:

In accordance with your telephone request, I am enclosing a certified copy of an extract from the Minutes of the June 10, 1975, meeting of the Board of Directors of the Corporation which includes the resolutions appointing Messrs. Hawkins, Delafield and Wood as Bond Counsel to the Corporation and Messrs. Paul, Weiss, Rifkind, Wharton and Garrison as General Counsel to the Corporation.

Sincerely,

Stephen J. Weinstein
Counsel

Enclosure

cc: Robert L. Laufer, Esq.
CERTIFICATE OF THE SECRETARY

September 8, 1976

The undersigned hereby certifies that the Resolutions of the Municipal Assistance Corporation For The City of New York (the "Corporation") attached hereto are true and correct copies of Resolutions duly adopted by the Board of Directors of the Corporation at a meeting duly called and held on June 10, 1975, and that the same are in full force and effect on the date hereof and have not been repealed, modified or amended.

[Signature]

Stephen J. Weinstein
Secretary
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Extract From Minutes of June 10, 1975
Meeting of Board of Directors

Appointment of Counsel

The Chairman then suggested that it was appropriate for the Corporation to designate bond counsel and general counsel to the Corporation. After discussion, on motion duly made and seconded, the following resolutions were unanimously adopted (Simon H. Rifkind abstaining from voting upon the second such resolution):

RESOLVED, that Messrs. Hawkins, Delafield & Wood be and they hereby are appointed and designated as Bond Counsel to the Corporation; and

RESOLVED, that Messrs. Paul, Weiss, Rifkind, Wharton, & Garrison be and they hereby are appointed and designated as General Counsel to the Corporation.
September 7, 1976

MEMORANDUM TO: ALLEN L. THOMAS, ESQ.
FROM: STEVE WEINSTEIN
RE: LETTER FROM WORLD AIRWAYS, INC.

Attached is a copy of a letter to the MAC Chairman from Mr. Samuel L. Teitler, Vice Chairman of the Board of World Airways, Inc., which was delivered today to Herb Elish, the MAC Directors and Judge Rifkind.

The letter sets forth the position of World Airways' subsidiary, Worldamerica Investors Corp., as a holder of a substantial amount of the Series 2 MAC bonds, that the recently completed solicitation of tenders was unfair, inequitable and discriminatory against those MAC holders who had purchased the exchanged City notes at par.

Please advise us with regard to a response, as soon as possible.

SJW:lg
Attachment
September 7, 1976

Mr. Felix G. Rohatyn, Chairman
Municipal Assistance Corporation
of the City of New York
2 World Trade Center
New York, New York 10047

Dear Mr. Chairman:

Worldamerica Investors Corp. is the owner and holder of 1975 Series 2, 8% bonds due July 1, 1986 in the principal amount of $22,000,000, constituting approximately 11 1/2% of the $191,670,000 principal amount of such bonds now outstanding. These bonds were acquired by Worldamerica in exchange for bond anticipation notes of the City of New York (City) maturing January 13, 1976, in the principal amount of $22,000,000, pursuant to the Exchange Offer of the Municipal Assistance Corporation for the City of New York (MAC) dated November 26, 1975.

For your information, although not germane at this time to the issue referred to below, World Airways, Inc., the corporate parent of Worldamerica Investors Corp., is the owner of 1976 Series 5, 8% bonds due 1991, in the principal amount of $11,500,000. These bonds were acquired by World Airways in exchange for bond anticipation notes of the City maturing January 13, 1976, in the principal amount of $11,500,000 pursuant to the Exchange Offer of MAC dated May 21, 1976.

Worldamerica regards the redemption or retirement of Series 2 bonds through the public solicitation for tenders to purchase such bonds below par, at the lowest prices at which such bonds may be tendered to MAC, instead of fulfilling its annual sinking fund obligations through selection by lot, to be unfair and inequitable, as well as economically adverse and discriminatory against those bondholders who paid par for the City notes exchanged for MAC bonds, and we regard such action to be contrary to the best interests of the MAC bondholders.

The sinking fund provisions to redeem MAC bonds, and the estimated Sinking Fund Principal Installments available for debt service, as set forth on Page 28 of the MAC...
Exchange Offer dated November 26, 1975 (Exchange Offer) indicated an annual redemption or retirement of such bonds at the rate of approximately 6.79% in 1977, and at progressively increasing percentages during each of the succeeding years, up to approximately 13.96% in the final year 1986. This sinking fund feature was an added inducement to holders of the City notes, including ourselves, to exchange the City notes for MAC bonds, hopefully to recoup before maturity some of their investment, and ours, through the operation of the mandated annual sinking fund.

Indeed, the opinion of Messrs. Hawkins, Delafield & Wood, bond counsel for MAC, which is designated Exhibit "A" and made a part of the Exchange Offer, states the following:

"The 1975 Series... Bonds are subject to redemption, in part, by lot as provided in the Resolutions, on July 1 in each of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each of the years shown below the principal amount of such 1975 Series... Bonds ** **."

The effect of the Solicitation of Tenders dated August 17, 1976 is to proclaim to bondholders who paid 100% of the original issue price for the City notes, and who exchanged the notes in good faith for MAC bonds, that unless they are willing to sell their bonds to MAC at sacrifice prices, in open-market competition with those professional traders and speculators who acquired the bonds at bargain prices, that they will, as non-tendering bondholders, suffer the loss, for years, of the opportunity and right of having their bonds redeemed by lot at 100% of the principal thereof to be paid from the mandatory Sinking Fund Installments, as required to be made in amounts sufficient to redeem on July 1 of each year MAC bonds in such principal amounts as the Sinking Fund Installments are sufficient to effectuate such redemption.

That non-tendering MAC bondholders will be materially adversely affected by the public Solicitation of Tenders is clearly indicated by the statement set forth in Paragraph 14 of the Solicitation of Tenders which appears below:

"To the extent that the Corporation fulfills these sinking fund obligations through open
market purchases of Bonds or solicitation of tenders for Bonds, the likelihood of any non-tendering Bondholder's Bonds being redeemed by lot, at par value, through operation of the sinking fund is reduced."

We regard the Board of Directors of MAC as being in the posture of fiduciaries acting for and on behalf of the bondholders and in their best interests. We believe that the use of the mandatory Sinking Fund Installments for the solicitation of public tenders in the open market, to acquire MAC bonds below par and at the lowest prices in open-market competition, is in direct conflict with the best interests of the bondholders, in that it deprives them of their opportunity and right to be paid 100% of the principal of their bonds at maturity, or before maturity when redeemed by lot, and to be paid the redemption price from the annual mandatory Sinking Fund Installments.

We regard the action of the Board of Directors as discriminating against the overwhelming majority of MAC bondholders, for the reason that it renders vain and nugatory their right and privilege as MAC bondholders, through selection by lot, to share in the proceeds of the Sinking Fund Installments, and such action favors only a limited number of bondholders, including professional traders and speculators, who are willing to tender their bonds for redemption below par. The repurchase by MAC of its bonds at less than par through a public solicitation appears to us as dealing and trading against the financial interests of MAC bondholders as a whole. Unlike private corporations for profit, the practice by MAC of going into the open market for the purchase of its bonds below par, and at the lowest possible prices, would appear to be incompatible and in conflict with the public interest concept which the Corporation was intended to serve and the faith which its bondholders reposed in MAC for their protection and for their equal treatment.

We are aware that the Board of Directors of MAC may have two choices in fulfilling the sinking fund obligations to redeem MAC bonds either by selection by lot or through solicitation for tenders, and we impute no willfulness in the unfortunate choice to solicit public tenders. We believe, however, that the overwhelming majority of MAC bondholders share the view expressed herein that the action taken by the Corporation is not in the best interests of the bondholders as a whole. We are prepared and stand ready, if need be, to seek the approbation and the support of the MAC bondholders for the position taken herein by Worldamerica Investors Corp.
We are aware that the Solicitation of Tenders for the acquisition of bonds in the aggregate principal amount of $10,000,000 has already been made and that tenders have already been received by the Corporation. For this reason, and this reason alone, we do not wish to be a source of interference to the consummation of the tender to the extent of the $10,000,000 aggregate principal amount. We do protest, and hereby object, as bondholders owning and holding approximately 11 1/2% of the Series 2 bonds referred to above and on behalf of other Series 2 bondholders, to the purchase by the Corporation by virtue of the Tender of any bonds in an amount or percentage in excess of that proportion of the $10,000,000 allocated to the 1975 Series 2 bonds, and respectfully demand that the difference between the $10,000,000 amount allocated to Series 2 bonds required to pay for such proportionate number of Series 2 bonds and the balance up to the amount of $13,025,000 set aside to meet the sinking fund obligations for 1975 Series 2 bonds, be utilized for the redemption of 1975 Series 2 bonds solely through selection by lot.

The undersigned desires at the earliest possible opportunity to confer personally with representatives of MAC and may be reached at 140 Broadway, New York, New York 10005, and by telephone at 344-3440.

Very truly yours,

WORLDAMERICA INVESTORS CORP.

By

Samuel L. Teitler, Vice Chairman
Board of Directors

SLT:GS

Mr. Francis J. Barry
Mr. John A. Coleman
Mr. Thomas D. Flynn
Mr. George D. Gould
Mr. Dick Netzer
Dr. Donna E. Shalala
Mr. Robert C. Weaver
Mr. Herbert Elish
Hon. Simon H. Rifkind
September 2, 1976

Mr. Allen Kone
United States Treasury Department
Office of New York City Finance
Room 507
6 World Trade Center
New York, New York 10047

Dear Mr. Kone:

In accordance with your telephone request, I am enclosing, for your information, copies of the Corporation's June 30, 1976, Financial Statements, and of its current certificates of projected financial requirements, dated June 22, 1976, and June 23, 1976.

Sincerely,

[Signature]
Stephen J. Weinstein
Counsel

SJW:1g
Enclosures (3)
Mr. Samuel L. Teitler  
Vice Chairman, Board of Directors  
Worldamerica Investors Corp.  
140 Broadway  
New York, New York 10005

Dear Mr. Teitler:

The Board of Directors of the Municipal Assistance Corporation For The City of New York (the "Corporation") has asked me to respond to your letter of September 7, 1976 concerning the Corporation's Solicitation of Tenders dated August 17, 1976 (the "Solicitation"), for its 8% 1975 Bonds due July 1, 1986, Series 1 through 4 (the "Bonds").

We thank you for your clear and thoughtful expression of views on the Solicitation. The Board has carefully considered and appreciates the points you have raised. The Board has, however, reaffirmed its original judgment that the Solicitation was a legally and equitably appropriate exercise of the Corporation's powers in a manner consistent with its public responsibilities.

The power of the Corporation to purchase its Bonds was explicitly granted to the Corporation by the New York State Legislature. Section 3010(11) of the New York State Municipal Assistance Corporation Act provides that the Corporation shall have the power

"(11) subject to the provisions of any contract with noteholders or bondholders, to purchase notes or bonds of the corporation. . . ."
The power granted by Section 3010(11) was incorporated into the Corporation's Second General Bond Resolution adopted November 25, 1975 (the "Second General Bond Resolution"), which is in the nature of a contract with, and sets forth the Corporation's duties and obligations to, the holders of the Bonds. Section 605(4) of the Second General Bond Resolution authorizes the Corporation to purchase Bonds at less than par and to credit the principal amount of Bonds so purchased towards its sinking fund obligations with respect to the Bonds.

The right of the Corporation to purchase Bonds at less than par to fulfill its sinking fund obligations was announced to the public in the Official Statement of the Corporation dated November 26, 1975 (the "Official Statement"), issued in connection with the Corporation's offer to exchange Bonds for outstanding short-term obligations of the City, the offer accepted by Worldamerica Investors Corp. in acquiring its Bonds. This right is fully set forth under the caption "Description of the 1975 Bonds" on page 32 of the Official Statement, immediately following the chart described in your letter, as follows:

"The Corporation may, at any time not more than 12 months prior to an interest payment date on which a Sinking Fund Installment is scheduled to be due, but in no event less than 45 days prior to such date, direct the Trustee to purchase with moneys in the Bond Service Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase, any Bonds of the Corporation payable from such Sinking Fund Installment and apply any Bonds so purchased as a credit against such Sinking Fund Installment."

In addition, Section 605(4) of the Second General Bond Resolution was reproduced in its entirety on page 48 of the Official Statement.

The Corporation's funds are public funds which are derived from various State Aid and Tax Funds (as described in the Official Statement), and the Corporation has a public responsibility not to waste or mismanage its funds. By redeeming Bonds pursuant to the Solicitation, the Corporation has reduced its debt service requirements, in the manner contemplated by law and its contract with its Bondholders, by an aggregate of approximately $2,054,000 ($1,476,000 of principal and $578,000 of interest).
Mr. Samuel L. Teitler

This amount, therefore, will not have to be withdrawn from the Special Account in the Municipal Assistance State Aid Fund.

As clearly set forth in the Solicitation, no Bondholder was required to tender his Bonds. The election of whether to take advantage of the opportunity to tender was left to the discretion of each Bondholder. No individual Bondholder, professional trader or private individual, received any advantage through the Solicitation. In fact, the Corporation decided to purchase Bonds through the medium of a solicitation for tenders, rather than through open market purchases, basically to insure that all its Bondholders would have an equal opportunity to tender their Bonds to the Corporation if they so desired.

For your information, the Corporation purchased $8,910,000 aggregate principal amount of Bonds which were tendered at prices of $85 per $100 of principal amount or less. In addition, the Corporation did not purchase $10,270,000 principal amount of Bonds which were tendered at prices above $85 per $100 of principal amount.

Because an amount of Bonds less than the amount of the July 1, 1977 sinking fund installment was purchased pursuant to the Solicitation, the Corporation, as stated in the Solicitation, has reserved the right to attempt to fulfill such sinking fund obligations by open market purchases, through additional solicitations of tenders or otherwise.

The Board welcomes and values the opinions of its Bondholders. Accordingly, I and members of the Corporation's staff will be happy to meet with you at your convenience. Please contact me at the Madison Fund, 660 Madison Avenue, New York, New York 10021, telephone number 754-0050, in order to arrange a mutually convenient meeting.

Very truly yours,

George D. Gould
Finance Chairman

cc: Mr. Felix Rohatyn
Mr. Francis J. Barry
Mr. John A. Coleman
Mr. Thomas D. Flynn
Mr. Dick Netzer
Dr. Donna E. Shalala
Mr. Robert C. Weaver
Mr. Herbert Elish
Hon. Simon H. Rifkind
8/31/76

Dear Steve:

I'm addressing this to you with the hope that you will be there to receive it knowing that everyone else is out soaking up the sun.

As you can tell from the enclosure we are in the process of trying to buy a house and we're hoping that my rather checkered career will be accepted by Cal Fed's loan committee.

I'd appreciate your taking care of the form right away & mailing the original to the bank in the enclosed envelope.

Nothing of note to report after ten days here except it has been extraordinarily hot the past few days. That's why I need my house & pool.

Thanks for your help. Regards to Anne & the staff of City Services.

Jim
REQUEST FOR VERIFICATION OF EMPLOYMENT

INSTRUCTIONS: LENDER - Complete Items 1 thru 7. Have applicant complete Item 8. Forward directly to employer named in Item 1.

EMPLOYER - Please complete Items 9 thru 16 and return directly to lender named in Item 2.

PART I - REQUEST

1. TO (Name and address of employer)
   MUNICIPAL ASSISTANCE CORPORATION
   TWO WORLD TRADE CENTER
   NEW YORK, NEW YORK 10047

2. FROM (Name and address of lender)
   California Federal Savings & Loan
   18260 Sherman Way
   Reseda, California 91335

3. SIGNATURE OF LENDER
   Fred E. Davis
   Asst. Vice President

4. DATE
   8/13/76

5. FHA OR VA NUMBER

I have applied for a mortgage loan and stated that I am or was employed by you. My signature below authorizes verification of this information.

JAMES R. KEEGAN, C/O PHILLIP LYNN, GORDON & CO.
1171 CENTURY PARK EAST
LOS ANGELES, CALIF. 90067

PART II - VERIFICATION

EMPLOYMENT DATA

1A. IS APPLICANT NOW EMPLOYED BY YOU?
   YES ☑ NO [If "Yes", complete Items 1B, 1D and 11]

1B. LENGTH OF APPLICANT'S EMPLOYMENT (If Military, enter total service)
   TEN MONTHS

1C. DATE APPLICANT LEFT
   AUGUST 20, 1976

1D. REASON FOR LEAVING
   CAREER OPPORTUNITY

1E. POSITION OR JOB TITLE
   DEPUTY EXECUTIVE DIRECTOR

1F. PROBABILITY OF CONTINUED EMPLOYMENT
   REQUESTED HE STAY AND OFFERED ADDITIONAL COMPENSATION

PAY DATA

12A. BASE PAY (Enter amount and check period)
   ORANNUAL "HOURLY WEEKLY
   38,000

12B. EARNINGS LAST 12 MONTHS

   TYPE       AMOUNT
   BASE PAY  3
   OVERTIME  3
   COMMISSIONS  3
   BONUS  3

12C. TO BE COMPLETED FOR MILITARY PERSONNEL ONLY

   PAY GRADE

   TYPE       MONTHLY AMOUNT
   BASE PAY  3
   RATIONS  3
   FLIGHT OR HAZARD  3
   CLOTHING  3
   QUARTERS  3
   PRO PAY  3
   OVER SEAS OR COMBAT  3

13. REMARKS

Mr. Keegan is a person of utmost integrity and reliability. He is held in the highest esteem by all of those with whom he worked here at the Municipal Assistance Corporation.

The above information is provided in strict confidence in response to your request.

14. SIGNATURE OF EMPLOYER

Stephen J. Weinstein

15. TITLE

Counsel and Secretary Municipal Assistance Corp.
For The City of New York

16. DATE

Sept. 2, 1976

THE INFORMATION ON THIS FORM IS CONFIDENTIAL. IT IS TO BE TRANSMITTED DIRECTLY, WITHOUT PASSING THROUGH THE HANDS OF THE APPLICANT OR ANY OTHER PARTY.