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STATE OF NEW YORK  
EXECUTIVE CHAMBER  
ALBANY 12224

HUGH L. CAREY  
GOVERNOR

November 14, 1975

Dear Mr. Secretary:

I am writing in keeping with our recent conversations concerning the financial program presented by the New York State Municipal Assistance Corporation to meet the severe fiscal crisis facing New York City, as well as the proposals put forth by State officials to meet the needs of the agencies and underlying credit of New York State itself.

Today, you will receive from the Chairman of the Municipal Assistance Corporation the documents prepared by the various commercial banks and representatives of organized labor in New York City. These documents should serve to fulfill the stated Federal requirement that these elements of the MAC plan have been brought to the level of a commitment to the extent consistent with the legal and moral responsibilities of the signatories.

For my part, as Governor of the State of New York, I have sought to meet the Federal requirements as understood in our conversations. Yesterday I called the State Legislature into an Extraordinary Session to meet the fiscal problems of both the State and City of New York.

In meeting with the Legislative Leaders I presented them with a legislative package to accomplish for the State the following:

First, every step necessary will be taken to close the gap in the State's budget. The Comptroller of the State has informed me and the Legislative Leaders that in his opinion, and that of his staff, the State's current deficit will fall between \$600 and \$700 million this fiscal year. Accordingly, I am sending to the legislature a tax package that will raise revenues sufficient to close that gap.

Secondly, I have informed the Legislative Leaders that I shall seek the authority necessary to introduce further economies in State expenditures. At the outset, I shall seek a series of measures that the State and its' localities can undertake in order to reduce social service, i.e. welfare, and Medicaid expenditures in the coming year. By a series of reductions in the scope and level of funding of our programs I hope to achieve a Statewide savings of over \$500 million.

Third, for the State "moral obligation" agencies, I will present legislation to both strengthen their reserves as well as to remove those few programs whose adequacy as to underlying security and revenues might be questioned only under the most rigorous review. This legislation will require an appropriation of \$130 million. For the moment, I am pleased that we have succeeded in keeping the Housing Finance Agency from default for another 30 day period, mainly through the investment of certain funds under the custody of the State Comptroller.

Fourth, I shall introduce legislation that will have the effect of freezing salary schedules for the period of one year of all employees of New York State and its agencies.

To meet the fiscal problems facing the City of New York, I shall do the following:

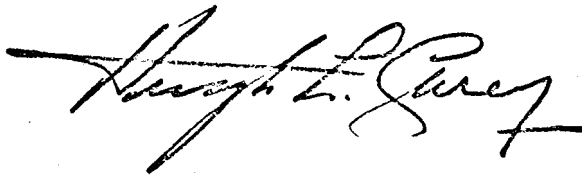
First, to accomplish the exchange of short-term City notes in the hands of individual investors into long-term MAC bonds, I shall introduce legislation that would place a 3-year moratorium on the claims of those who do not participate in the exchange.

Secondly, I have informed the Legislative Leaders that legislation will be introduced to increase the revenues raised in, and available to, the City by \$200 million.

Third, I shall introduce legislation necessary to accomplish the increase in city employee contributions to the pension system in the amount of \$85 million -- an amount agreed to in documents you have received today.

This is a program that has my full commitment as Governor. We in New York State have, I believe, brought to bear every resource at our command to find a solution in the face of an extraordinary and historic financial crisis. There is still a need, however, which can only be met by Federal assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Hugh L. Carey". The signature is written in dark ink and is positioned below the word "Sincerely,".

Honorable William E. Simon  
Secretary of the Treasury  
Department of the Treasury  
15th Street and Pennsylvania Avenue, N.W.  
Washington, D. C. 20220

MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK  
2 World Trade Center  
New York, New York 10047

November 13, 1975

The Honorable William E. Simon  
Secretary of the Treasury  
Washington, D.C.

Dear Mr. Secretary:

Pursuant to your request to the Governor on November 12th, I am pleased to enclose copies of conditional commitments received to date from the various New York City banks, and from the leadership of the various City unions, who have been asked to participate substantially in the Three-Year Financial Plan For New York City.

We are submitting the enclosed letters pursuant to your request that, to the extent and as rapidly as possible, we reduce to writing the commitments required from the various participants in the Three-Year Financial Plan. As these letters are reduced to final agreements, the legalities may require changes in the form, but we hope not the substance, of the outlined transactions.

In view of the time constraints involved, these letters are in the form of letters of intent rather than formal legal commitments. They relate to the new cash investments in the City, and the interest reductions and maturity adjustments on outstanding City and MAC obligations, referred to in the City financial section of the Three-Year Plan, a copy of which is enclosed for your convenience.

We understand that the Governor will communicate with you separately with respect to the fiscal and State Agency portions of the Plan.

Page Two

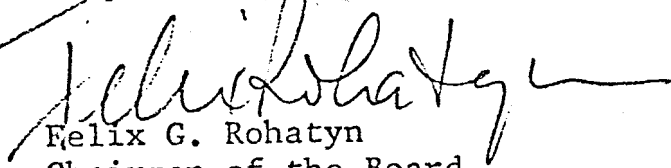
The Governor has called the New York State Legislature back into its continuing extraordinary session today in order to consider and adopt the moritorium legislation which we have discussed with you.

Pursuant to the proposed moritorium legislation, the Municipal Assistance Corporation is currently readying an Official Statement by which it plans to offer to exchange its bonds for maturing notes of The City of New York. The first of these exchange offers is scheduled to commence on or about Tuesday, November 18th. A preliminary Official Statement is enclosed.

As you will understand, the program referred to in the enclosed materials is conditional upon the availability of Federal governmental assistance and upon the completion of the November financings. In this connection, you should know that we have not yet received any commitment with respect to the availability of \$150,000,000 of the State appropriation scheduled to be paid on November 21, 1975.

Thank you for your courtesy and helpfulness.

Respectfully submitted,



Felix G. Rohatyn  
Chairman of the Board

FGR:ek

Enclosure

November 13, 1975

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

Dear Mr. Rohatyn:


The undersigned are aware that the Trustees of the Municipal Employees Retirement Systems are presently considering the investment of \$2.5 billion in new securities as part of an overall program to meet the needs of the City of New York between now and the end of fiscal year 1977-78 and are considering agreeing to a conversion of MAC securities presently held by these systems to a new MAC issue of 6%, 10 year bonds and to a conversion of city notes held by the systems for a new city issue of 6%, 10 year bonds. The aggregate amount of securities to be converted is \$1.2 billion.

The undersigned agree to use their best efforts to cause the Trustees to approve, in the exercise of their discretion, the items referred to above.

The undersigned understand that the Federal and State governments require that the ITHP portion of the City's contribution to the systems be reduced by 50%. This will increase the employees' annual contributions by \$107 million.

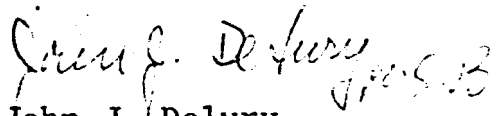
The above commitments are subject to the completion of a financial package assuring funding of the City government through Fiscal Year 1977-78, including the Federal guarantees of securities, or other Federal funding, required to complete the financial package.

Sincerely,



Victor Gotbaum  
Executive Director, District Council 37

*Albert Shanker, per J.B.*  
Albert Shanker, President  
Local 2, United Federation of Teachers



John J. Delury  
President, Uniformed  
Sanitationmen's  
Association, Local 831  
I.B.T.

MORGAN GUARANTY TRUST COMPANY

OF NEW YORK

23 WALL STREET, NEW YORK, N. Y. 10015

*New York*

November 13, 1975

ELLMORE C. PATTERSON

*Chairman of the Board*

Mr. Felix Rohatyn, Chairman  
Municipal Assistance Corporation  
for the City of New York  
c/o Lazard Freres & Co.  
1 Rockefeller Plaza  
New York, N. Y.

Dear Mr. Rohatyn:

You asked for a response from this bank and the other New York City Clearing House banks with respect to certain aspects of the Three-Year Financial Plan for New York City, New York State Agencies and New York State dated November 10, 1975 (the "Plan"), a copy of which was given to an officer of this bank last evening. We have had the benefit of a meeting this morning with you and the other Clearing House banks at which the Plan was discussed and specific requests were made of us.

In response to the specific requests, and subject to the conditions listed below, I can advise you that this bank would be prepared to convert its present holdings of MAC securities to 6 percent MAC bonds maturing in 10 years, to extend our present holdings of New York City notes to 10 years at 6 percent, and to participate in up to \$2.5 billion "seasonal" financing for the City of New York that necessarily must be Federally guaranteed.

The following conditions are integral to this response:

1. Any securities of either MAC or New York City must, satisfactorily to us, be approved as to legality and documentation.

2. We must reserve our right to reconsider our response if at any time prior to or during the implementation of the Plan there is any default on securities issued by the State, the City or a State agency. We would not consider a moratorium on payment of principal on City notes, so long as MAC bonds are offered in exchange, as a default for this purpose.



Mr. Felix Rohatyn, Chairman  
Municipal Assistance Corporation  
for the City of New York

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November 13, 1975

3. All other members of the Clearing House respond affirmatively and participate in the Plan on substantially the same basis.

4. All parts of the Plan are committed to by the appropriate parties, including the State executive and legislative leaders, the City executive and legislative leaders, City union officials, and the officials of MAC and the City Control Board. Federal executive and legislative leaders indicate support of Federal guarantee of the financing of the City's "seasonal" borrowing needs. Appropriate concrete actions at the appropriate City, State and Federal levels should accompany any actual steps taken by this bank.

We understand that an essential part of the program is the successful exchange of MAC securities for notes held by holders other than Clearing House banks and City pension funds. We do think it preferable that the banks and pension funds receive MAC bonds for City notes on the same basis as other note holders and urge that serious consideration be given to that possibility.

We would also like to express our concern about the need to finance the estimated \$2.5 billion State agency requirements in full, and this bank's unwillingness to participate in any such financing except with Federal guarantees or assistance. We also have concern about the approximately \$4 billion short-term financing requirements of the State itself in the Spring and the desirability of prearranging the availability of that amount of credit. It is our present belief that Federal assistance may well be necessary for that purpose.

Very truly yours,

*Ellman Patterson*



# MANUFACTURERS HANOVER TRUST COMPANY

350 PARK AVENUE, NEW YORK, N. Y. 10022

GABRIEL HAUGE  
CHAIRMAN OF THE BOARD

November 13, 1975

Mr. Felix G. Rohatyn  
Chairman of the Board  
Municipal Assistance Corporation  
c/o Lazard Freres & Co.  
One Rockefeller Plaza  
New York, New York

Dear Sir:

We have reviewed the document dated November 10, 1975 and entitled "Summary of Three-Year Financial Plan for New York City, New York State Agencies and New York State" prepared by you and delivered to us today. In connection with the Financial Plan, we understand that the member banks of the New York Clearing House Association are being requested to agree in principle to the following:

1. Conversion of present holdings of approximately \$1,050,000,000 MAC securities to 6% Bonds maturing in 10 years.
2. Extension of approximately \$550,000,000 of New York City Notes to 10 years at 6%.
3. Providing New York City with up to \$2,500,000,000 of "seasonal" financing.

This letter is to advise you that we are agreeable in principle to the provisions of paragraphs 1 and 2 above on the following conditions:

(a) New York State, New York State Agencies and New York City shall not be in default on any of their respective obligations at the time these provisions of the Financial Plan are implemented.

(b) State Agency financial needs referred to in Paragraph B of Section II of the Financial Plan will be provided without the assistance of this institution.

(c) This institution shall be satisfied as to all legal, documentary and similar facets of the Financial Plan prior to its implementation.

(d) The portions of the Financial Plan which contemplate direct or indirect funding by organizations other than the member banks of the New York Clearing House Association are agreed to by such organizations and all other steps relating to the improvement of the financial and fiscal condition of New York State and New York City referred to in the Financial Plan have been adopted by the New York State Legislature.

(e) All member banks of the New York Clearing House Association agree to participate in these portions of the Financial Plan subject to conditions acceptable to such banks.

With respect to paragraph 3 above, this is to advise you that this institution would be willing to participate in a syndicate consisting at a minimum of all

Mr. Felix G. Rohatyn

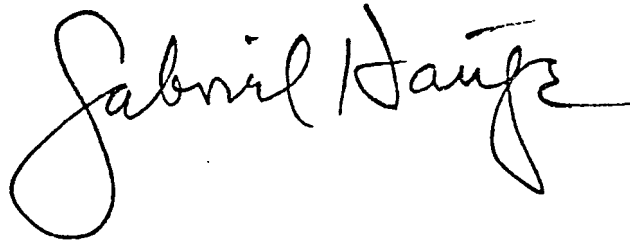
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November 13, 1975

member banks of the New York Clearing House Association organized for the purpose of providing New York City with up to \$2,500,000,000 of "seasonal" financing subject to the condition that such financing be guaranteed by the Federal Government.

Finally, we note that Paragraph B of Section III of the Financial Plan entitled "Short-Term Financing Requirements - State Fiscal Year 1976-77" indicates that "it is only realistic to anticipate the need for some Federal sponsorship for the New York State seasonal borrowings early in 1976." We concur in this conclusion.

Sincerely yours,

A handwritten signature in black ink, reading "Gabriel Hauge". The signature is written in a cursive style with a large, looping initial "G".

# UNITED STATES TRUST COMPANY

OF NEW YORK

45 WALL STREET NEW YORK, N. Y. 10005

212-425-4500

CHARLES W. BUEK  
*Chairman of the Board  
and  
President*

November 13, 1975

Dear Mr. Rohatyn:

Re: Financial Plan Dated 11/13/75 Submitted to the  
Member Banks of the New York Clearing House

In response to your request this morning for advice as to our position on the above proposal, I am glad to give you our advice as to the four principal requests as summarized on the first page of the Financial Plan.

We point out that we believe it undesirable to consider making plans for The City of New York alone as proposed in the first three requests without making some provision for the New York State Housing Finance Agency and other State agencies referred to in request four of the Financial Plan, and we shall not participate in such request.

The Trust Company, as a member of the New York Clearing House, agrees to participate in the first three requests set forth, subject to the following conditions:

- a. Neither the State of New York, any of its agencies, nor the City is in default on any of its obligations at the time the Financial Plan is implemented.
- b. The proposal for financing New York State Agencies, including item four of the Financial Plan, must be provided by sources other than the New York Clearing House Banks.
- c. We shall participate in the loans to meet the City's needs for "seasonal" financing (currently estimated at two and one-half billion dollars), but only if the Federal Government guarantees all of such loans.

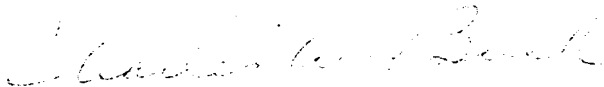
Mr. Felix G. Rohatyn

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November 13, 1975

- d. The legality and documentation of all aspects of the Financial Plan must be satisfactory to us and our counsel.
- e. All the parties involved in the package constituting the first three requests must agree to such package.
- f. Each other member bank of the New York Clearing House shall have accepted the foregoing conditions.

Sincerely,



Chairman  
United States Trust Company  
of New York

Mr. Felix G. Rohatyn  
Chairman  
Municipal Assistance Corporation  
for the City of New York  
Lazard, Freres & Company  
One Rockefeller Plaza  
New York, New York 10020

National Bank  
of North America

November 13, 1975

Mr. Felix G. Rohatyn, Chairman  
Municipal Assistance Corporation  
World Trade Center  
New York, New York

Dear Mr. Rohatyn:

We are pleased to respond to the proposals made by you in furtherance of the plans set forth in the "Summary of Three Year Financial Plan for New York City, New York State Agencies, and New York State" dated November 10, 1975.

National Bank of North America would be willing to convert its present holdings of Municipal Assistance Corporation securities, amounting to approximately \$21,000,000, to 6% bonds of the Municipal Assistance Corporation payable over a period of ten years, and to extend the maturities of its present holdings of New York City notes, amounting to approximately \$8,000,000, to maturities of ten years, bearing interest at 6% per annum. In addition, National Bank of North America would be willing to assist in the underwriting, during the next three years, of up to \$2,500,000,000 of short term New York City obligations, provided such obligations are guaranteed by the federal government.

Our willingness to move forward with the proposals made by you, as outlined above, is subject to the following conditions:

1. All of the other elements of the Summary

Mr. Felix G. Rohatyn, Chairman  
Municipal Assistance Corporation

2. November 13, 1975

will be implemented prior to the time we are expected to take the actions described above.

2. All of the other member banks of the New York City Clearing House will join in the actions we are to take.

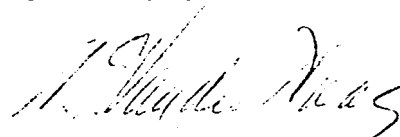
3. Neither the State nor the City nor any agency of the State will be in default in any of its obligations at the time the plan is implemented.

4. The financial needs of State Agencies described in the Summary will be provided for, including the amount described as "Remainder to be Financed."

5. The Federal Government will agree to guarantee financing for the seasonal needs of New York City, up to \$2,500,000,000, for the next three years.

6. We and our counsel shall be satisfied with the legality of, and documentation for, all of the actions required for the plans described in the Summary.

Very truly yours,



Walter E. Van der Waag  
Vice Chairman of the Board



# IRVING TRUST COMPANY

ONE WALL STREET

NEW YORK, N.Y. 10015

JOSEPH A. RICE  
PRESIDENT

November 13, 1975

Mr. Felix Rohatyn  
Lazard Freres & Co.  
One Rockefeller Plaza  
New York, New York 10020

Dear Mr. Rohatyn:

This letter responds to a proposal for participation by the New York Clearing House Banks and others in the financial plan set forth in a memorandum entitled "Summary of Three Year Financial Plan for New York City, New York State Agencies, and New York State" dated November 10, 1975.

We are prepared to:

(a) convert our present holdings of securities of the Municipal Assistance Corporation to 6% bonds maturing in ten years;

(b) extend to ten years the maturities of New York City notes which we now hold, such extended notes (or equivalent obligations) to bear interest at the annual rate of 6%; and

(c) consider participating in up to \$2.5 billion of "seasonal" financing to the City to bridge the gap between incoming City revenues and payouts of salaries and other obligations, but only if the City's obligations are guaranteed as to principal and interest by the Federal government.

The foregoing is subject to the following conditions:

(a) neither the State, any State agency or the City is in default at the time of any such conversion, extension or participation in a seasonal financing;

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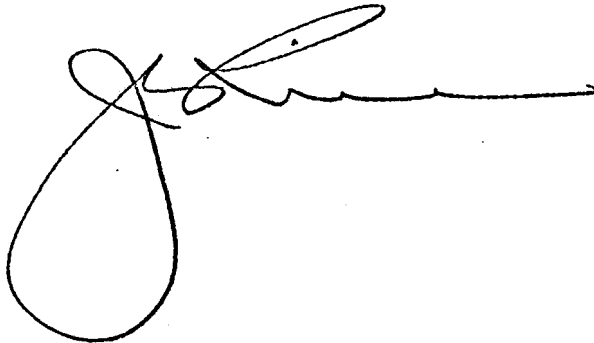
(b) all parts of the financial plan set forth in the memorandum referred to above must be agreed to by the various interested parties;

(c) all of the other New York Clearing House banks shall have agreed to conversions, extensions and participations similar to those referred to above; and

(d) the conversions, extensions and participations referred to above shall be legally satisfactory to us.

I wish to make clear that our agreement is limited as set forth above and we are not undertaking to participate in making loans to or purchasing securities of New York State or any of its agencies.

Yours very truly,

A handwritten signature in black ink, consisting of a large, stylized initial 'J' followed by a long, horizontal flourish that ends in a small hook.

CHEMICAL

20 Pine Street  
New York, NY 10005

Donald C. Platten  
Chairman

November 13, 1975

Felix Rohatyn, Esq.  
Lazard Frères & Co.  
1 Rockefeller Plaza  
New York, N. Y. 10020

Dear Mr. Rohatyn:

Reference is made to the presentation made by you and your associates today at the New York Clearing House, and specifically to the material presented at that meeting entitled "Summary of Three-Year Financial Plan for New York City, New York State Agencies and New York State".

On behalf of Chemical Bank, I wish to advise you as follows:

(1) Chemical Bank would be willing to convert its present holdings of Municipal Assistance Corporation securities to 6% bonds maturing in level payments over ten years.

(2) Chemical Bank would be agreeable to substitute for its existing holdings of New York City Notes new New York City notes with a maturity of 10 years bearing an annual interest of 6%, with amortization commencing after expiration of the so-called moratorium period.

(3) Chemical Bank would be willing to participate in a syndicate for seasonal financing needs of the City of New York up to an aggregate amount not in excess of \$2-1/2 billion if, and only if, such borrowings by the State of New York are guaranteed by the full faith and credit of the United States.

Chemical Bank's willingness to do the foregoing is conditioned as follows:

(a) At the time of the implementation of such Financial Plan, there shall exist no default in any obligations of the City of New York, any agency of the City of New York, the State of New York or any agency of the State of New York.

(b) Recognition by all appropriate fiscal authorities that the refinancing of maturing New York State agency obligations must be effected through sources other than the New York Clearing House banks.

To: Felix Rohatyn, Esq.  
Lazard Frères & Co.

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November 13, 1974

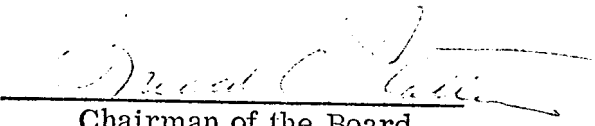
(c) Our satisfaction as to all legal matters incident to the implementation of such Financial Plan (including, but not by way of limitation, the authority of the City of New York to issue a 10-year note) and our satisfaction as to the documentation to be executed and delivered in connection therewith.

(d) All other participants in such Financial Plan shall have agreed to the matters being requested of them, as more fully set forth in such Financial Plan.

(e) Your receipt of substantially similar letters from each of the other New York Clearing House banks.

Finally, we can not overemphasize our sincere belief and concurrence in the statement contained in such Financial Plan that it is only realistic to anticipate the need for Federal sponsorship for New York State's seasonal borrowings during 1976. We believe that any contrary assumption would be unrealistic at this time and that it is in the best interests of the capital markets and the commercial banking system that provision should be made therefor at this time.

Very truly yours,  
CHEMICAL BANK

By-   
Chairman of the Board

D. C. P.

Rush delivery.

# THE BANK OF NEW YORK

NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

48 WALL STREET, NEW YORK, N.Y. 10015

ELLIOTT AVERETT  
CHAIRMAN OF THE BOARD

November 13, 1975

Mr. Felix Rohatyn, Chairman  
The Municipal Assistance Corporation  
for The City of New York,  
Lazard Freres & Co.,  
One Rockefeller Plaza  
New York, New York 10020

Dear Mr. Rohatyn:

The Bank of New York is pleased to respond to the proposal that you presented today to the member banks of The New York Clearing House Association. This proposal is summarized in a document entitled "Summary of Three-Year Financial Plan for New York City, New York State Agencies, and New York State", dated November 10, 1975.

The Bank of New York would be willing to take the following three actions, if the conditions hereinafter described are met to its satisfaction.

The Bank of New York would:

1. Convert the securities issued by the Municipal Assistance Corporation for The City of New York ("MAC") which we presently hold as principal into new securities issued by MAC, bearing an interest rate of 6% per annum, maturing in equal annual installments over a ten year period and ranking pari passu with all other securities issued by MAC.
2. Extend the maturity of the New York City notes which we presently hold as principal to a term of ten years and reduce the interest rate thereon to 6% per annum, provided the long term notes contain an appropriate cross default clause.
3. Participate proportionately with the other member banks of The New York Clearing House Association and other commercial banks in providing New York City with up to 2 1/2 billion dollars of "seasonal" financing, if, but only if, all obligations in respect of this financing are unconditionally guaranteed by the United States Government.

The conditions which we have in mind are the following:

- A. At the time of our taking of any of such actions, none of the State of New York, any agency of the State of New York, New York City or any municipality with a population in excess of 100,000 shall be in default in the payment of any of its obligations.

THE BANK OF NEW YORK

November 13, 1975

Page 2

- B. In the description of the "Financing Requirements for State Agencies" (Part II, B of the Summary), there is a reference to \$650,000,000 as the "Remainder to the Financed". These funds must be furnished from sources other than this Bank.
- C. All the actions outlined in the Plan of "Fiscal Correction" for New York City (Part I, A of the Summary) shall have been taken or effectively committed to by all parties concerned, and each of the other member banks of The New York Clearing House Association shall have agreed to participate on terms substantially similar to those contained in this letter.
- D. The legality of each of this Bank's proposed actions shall be established to the satisfaction of our counsel, and all necessary documents shall have been prepared to our satisfaction, prior to our taking any such action.

Very truly yours,



Chairman

# BANKERS TRUST COMPANY

280 PARK AVENUE, NEW YORK

JOHN W. HANNON, JR., PRESIDENT  
TELEPHONE 212 692-3765

MAILING ADDRESS  
POST OFFICE BOX 318  
CHURCH STREET STATION  
NEW YORK, NEW YORK 10015

November 13, 1975

Mr. Felix G. Rohatyn, Chairman of the Board  
Municipal Assistance Corporation for the City of New York  
c/o Lazard Freres & Co.  
1 Rockefeller Plaza  
New York, N. Y. 10020

Dear Mr. Rohatyn:

This morning you outlined to the Clearing House banks, including ourselves, a financial plan for New York City, New York State agencies and New York State itself, and asked us to comment to you today on certain aspects of that plan which directly involved the Clearing House banks.

Subject to the conditions outlined below, we would be willing to do the following as our part of the overall plan:

1. Convert our own present holdings of Municipal Assistance Corporation for the City of New York ("MAC") securities to 6% serial bonds of MAC, with a final maturity of 10 years and an average life of approximately 6 years;
2. Extend our own present holdings of New York City notes to maturities not in excess of 10 years at 6%; and
3. Use our best efforts to put together the necessary syndicates of banks and other financial institutions to meet the "seasonal" financing needs of New York City over the next 3 years, provided that such needs never exceed \$2-1/2 billion and, most importantly, that such financings be guaranteed by the Federal Government. It is our opinion that without such Federal guarantee the "seasonal" financing needs could not be met.

Our willingness to participate in the proposal outlined to us this morning is subject to the following conditions:

1. That at the time of any conversion or extension there is no default by New York State, any of the New York State agencies, or New York City;

2. That the State agencies' needs outlined this morning in your proposed financial plan are to be taken care of from sources other than the Clearing House banks;

3. That the Federal Government guarantee any New York City "seasonal" financing;

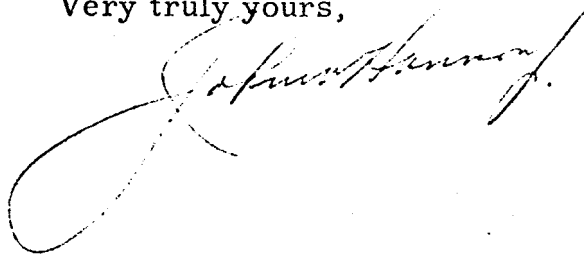
4. That the transactions contemplated by the financial plan outlined to us and by this letter are legal and proper for all of the persons (including governmental units and other entities) involved or contemplated to be involved, including ourselves, and that all governmental, corporate or other authorizations necessary or appropriate be obtained, and that all legal proceedings, including all documentation, in connection with such transactions shall be satisfactory in form and substance to this bank and our counsel;

5. That all of the persons and entities connected with the financial plan outlined to us this morning both execute the necessary or appropriate documents to indicate that they will perform as contemplated in accordance with the plan outlined to us and that such performance is forthcoming at the appropriate time, including financings from other sources and such governmental and other acts as are necessary or appropriate under the plan; and

6. That our willingness to convert all of our own holdings of MAC securities, extend our own holdings of New York City notes and use our best efforts to provide "seasonal" financing for New York City, as outlined above, be matched by a willingness on the part of all of the other Clearing House banks to do the same with their holdings and to use their best efforts in connection with the "seasonal" financing for New York City.

As part of the proposed financial plan we understand you will consider and use your best efforts to restructure the plan as outlined to us to allow us to convert our New York City notes into MAC securities with the same maturity and interest rate as proposed for the extended New York City notes.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robert H. Hennrich". The signature is written in a cursive style with a large, looping initial "R".



# MARINE MIDLAND BANK

140 BROADWAY • NEW YORK, N. Y. 10015

(212) 797-4000

November 13, 1975

Mr. Felix Rohatyn, Chairman  
Municipal Assistance Corporation  
One Rockefeller Plaza  
New York, New York 10020

Dear Mr. Rohatyn:

In accordance with your request today to the representatives of the New York Clearing House banks for an indication of willingness by each of such banks to participate in a proposed Financial Plan for New York City, New York State and New York State Agencies (herein called the "Plan", a copy of which is annexed hereto), this is to advise you that, subject to the conditions set forth below, Marine Midland Bank-New York will, upon consummation of the Plan:

1. Convert Municipal Assistance Corporation ("MAC") securities held in this Bank's own portfolio to MAC bonds, amortized over ten years, bearing interest at 6% per annum, and ranking pari passu with all other MAC obligations;
2. Extend the maturity of New York City notes held by this Bank in its own portfolio to ten years and agree to a reduction in the interest rate on such notes to 6% per annum;
3. Assist in the underwriting or syndication of a portion of an issue of New York City securities of up to \$2.5 billion for "seasonal" financing needs, provided that such securities are guaranteed by the full faith and credit of the United States of America.

Our agreement to the foregoing and our continued participation in the Plan are subject to the following:

1. Neither New York City, New York State nor any New York State Agency shall be in default in any respect on any of their respective securities issues;

MARINE MIDLAND BANK  
NEW YORK

Mr. Felix Rohatyn, Chairman  
Municipal Assistance Corporation  
November 13, 1975  
Page 2

2. With respect to the \$650 million additional financing (or any other additional financing) set forth in the Plan as required for New York State Agencies, sources other than this bank will provide such funds.
3. The definitive terms and the legality of the various new or extended securities to be issued in accordance with the Plan, as well as the documentation in connection therewith, shall be satisfactory to us and our counsel. All legal matters shall be satisfactory to us and our counsel.
4. All parts of the proposed Plan shall be consummated, each of the institutions and purchasers of securities as set forth therein shall agree to and perform their respective obligations as contemplated by the Plan and each of the member banks of the New York Clearing House Association shall participate in the Plan.

Very truly yours,

MARINE MIDLAND BANK-NEW YORK

By: 

Russell H. Knisel  
Vice Chairman of  
the Board



# FIRST NATIONAL CITY BANK

WILLIAM I. SPENCER  
PRESIDENT

399 PARK AVENUE, NEW YORK, N. Y. 10022

November 13, 1975

Mr. Felix G. Rohatyn, Chairman  
Municipal Assistance Corporation  
for the City of New York  
c/o Lazard Freres  
Rockefeller Center  
New York, New York

Dear Mr. Rohatyn:

We are writing to respond to your request that we participate in certain transactions forming part of the three-year Financial Plan proposed for New York City, New York State Agencies and New York State (the "Plan"). We have been furnished with a memorandum dated today outlining such transactions together with a summary of the Plan dated November 10, 1975.

Prior to receipt of the Plan we discussed with you our conviction that the financial and other problems confronting New York City are closely related to similar problems affecting New York State and its Agencies and that a piecemeal approach which seeks only to prevent a City default is not an adequate response to the total situation. While we believe the general approach of the Plan is appropriate, we wish to record our view that it does not meet the financing requirements of the State Agencies and political subdivisions other than New York City. For example, we do not believe that the indicated remainder of Agency needs to be financed of \$650 million can be obtained from sources within the banking system. In our view the success of the Plan will depend on the identification of additional financial support for Agencies and other subdivisions.

You have asked us to consider: (1) Converting our holdings of MAC bonds of various series into MAC bonds of a new series under the existing bond resolution bearing interest at 6% per annum and maturing in 10 years. Such new bonds would be amortized on a level debt basis.

(2) Extending the maturity of our holdings of New York City notes to 10 years. Such extended notes would bear interest at 6% per annum.

(3) Participating in the provision of "seasonal" financing for New York City during the three year period of the Plan in an amount not to exceed \$2 1/2 billion at any one time outstanding.

Mr. Felix G. Rohatyn, Chairman

November 13, 1975

We are willing to negotiate our participation in the above described transactions on the following basis:

a) At the time of our participation there shall be no default in the payment of debt for borrowed money on the part of New York City, New York State or any Agency or political subdivision of the State.

b) All New York Clearing House member banks and all pension funds for City employees shall be participating in (1) and (2) above on the same basis as we.

c) Prior to our participation we shall be satisfied that there is a reasonable prospect of obtaining commitments for \$650 million to fund the unfinanced requirements of the State Agencies. If any of the sources of funding for Agencies outlined in the Plan prove to be unavailable in the required amounts, such amounts will be added to the \$650 million commitments.

d) Commitments shall have been obtained for the aggregate amount of the "seasonal" financing at the time required by the City and borrowings under such commitments shall be unconditionally guaranteed by the United States.

e) All other aspects of the Plan shall have been implemented, or shall be the subject of satisfactory commitments, substantially as outlined in the Plan.

f) We shall be satisfied with all legal aspects of the transactions and agreements involved in carrying out the Plan and with the form and substance of the documents involved.

We recognize that under certain circumstances the City securities to be issued under (2) above may not be available. We would be willing to negotiate our participation in (2) on the basis of substituting MAC bonds in place of such City securities.

In accordance with our discussions today, we expect to communicate separately with representatives of the State concerning proposals for financing the requirements of the New York State Housing Finance Agency on November 14.

Very truly yours,



# THE CHASE MANHATTAN BANK

National Association



Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board*

November 13, 1975

Mr. Felix G. Rohatyn, Chairman  
Municipal Assistance Corporation for  
the City of New York  
New York, New York

Dear Felix:

At the meeting of the New York Clearing House banks with you this morning, you asked that each of the banks indicate whether it would agree to participate in the financial plan for New York City, New York State agencies and New York State which you and Mr. Gould described. The anticipated participation by the New York Clearing House banks is described in Items 3 and 4 of Part I. of the "Summary of Three-Year Financial Plan for New York City, New York State Agencies and New York State", dated November 10, 1975 (the "Summary"), a copy of which was distributed.

Before responding to your inquiry, I should set forth certain assumptions and comments upon which our response is based:

1. New York State, New York State agencies and New York City will not be in default in the payment of their obligations at the time the plan is implemented.
2. Part II. of the Summary relating to State agencies will be implemented using sources of funds other than commercial banks. We believe that it is of vital importance to the reopening of the securities markets to New York State, its agencies and the City that the credit of the State agencies be strengthened and that default in the payment of their obligations be avoided.

3. Seasonal financing for New York City, estimated in the amount of \$2.3 billion per fiscal year (\$1.5 billion for the balance of the fiscal year ending June 30, 1976), will be provided. We will be willing to participate in an underwriting syndicate of New York Clearing House banks to underwrite such seasonal financing but only if the City's obligations are appropriately guaranteed by the Federal Government.

4. Seasonal borrowing requirements of New York State will be satisfied, it being our view that Federal guaranty assistance will be necessary.

5. All legal and documentary requirements relative to the conversion of the New York City short-term notes (including, particularly, TANs and RANs) held by the Clearing House banks into long-term obligations will be satisfied. In this connection, as you know, bank counsel have expressed concern as to the availability of bonding authorization and as to the use of bond proceeds to retire TANs and RANs.

6. The total legislative, budgetary and financial plan (certain elements of which are described in the Summary) will be implemented concurrently with the requested participation by the Clearing House banks.

7. All Clearing House banks will participate in the plan as contemplated by Items 3 and 4 of Part I.A. of the Summary.

Subject to these assumptions, we intend to participate in the plan by accepting the contemplated interest reduction and lengthening of maturities on the New York City notes held by us for our own account as described in the Summary and as discussed by you at the Clearing House this morning. In this connection, since it is contemplated that the New York City short-term notes will be exchanged for New York City obligations with a ten-year maturity, we suggest that it is appropriate that the ten-year obligations contain provision for acceleration in the event of any default by the City in the payment of its obligations. On the same basis, we, also, intend to accept extension of the maturity

THE CHASE MANHATTAN BANK, N.A.

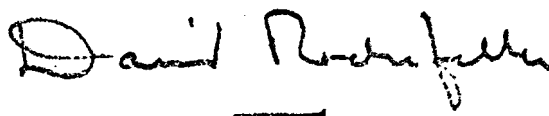
To

Mr. Felix G. Rohatyn, Chairman  
Municipal Assistance Corporation  
for the City of New York

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of the MAC obligations held by us for our own account and  
the interest reduction as contemplated by Part I.A. of  
the Summary and our discussion this morning.

Very truly yours,

  
—

DR:jt

NYC - ~~GF~~ GF - NY Republican  
Delegation.

18 Nov 1975 - Cabinet Room

GF

"As of the moment, my  
position has not changed."

"They should act, and then  
we will consider what to do,  
if anything I'm making  
no commitment. I have made  
No decision"

~~GF~~ "You dealing with a bunch of  
conable political cut throats who  
want to stut the whole  
thing in your ear."

GF "Not in my EAR" (laugh)

(re NY Demos trying to blame  
GF for higher taxes).



THE SECRETARY OF THE TREASURY

11/19/76

Ron:

Important.

Bill Simon





THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

November 19, 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: New York City

On November 19, 1976, the highest court of the State of New York ruled that the moratorium on the New York City notes violated the State Constitution. Because the decision was on State rather than on Federal Constitutional grounds, there is no right of further appeal. While a formal order will not be issued for at least 30 days, it appears certain that at least the holders of \$900 million in notes outstanding will be entitled to payment in full at some point in 1977. In addition, it is likely that former holders of \$700 million in notes (who exchanged their notes for MAC bonds) will also be entitled to cash.

The Court's ruling constitutes an event of default under the Credit Agreement between the United States and New York City. Accordingly, the first question is whether the Secretary of the Treasury should exercise his right to declare the agreement in default and demand immediate payment of the \$1.075 billion in Federal loans outstanding. A more important question from a practical standpoint is whether the Treasury should advance funds needed for operating expenses in early December. The amount required by the City during the month of December is \$750 million. If no advances are made, the City will run out of cash not later than December 6.

William E. Simon

DECEMBER 9, 1975

Office of the White House Press Secretary

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NOTICE TO THE PRESS

The President has signed H.R. 10481 -- New York City Seasonal Financing Act of 1975. This bill authorizes Federal loans to New York City to meet seasonal financing needs.

The Secretary of the Treasury is authorized by the bill to make loans to New York City, or to any agency authorized by the State to act for the City, for seasonal financing needs. The total amount of such loans outstanding at any time is limited to \$2.3 billion. These loans will bear an interest rate one percent higher than the market rate on U.S. obligations of comparable maturity. Each loan must mature no later than the end of the City's fiscal year (June 30) in which the loan is made. Loans may be made only if the Secretary determines that there is a reasonable prospect of repayment, but no loan may be provided unless all matured loans have been repaid. The Secretary may require security for the loans. Moreover, in order to offset Federal claims against New York in connection with delinquent repayment of loans made under this Act, appropriation acts may provide for the withholding of Federal payments to the City directly or through the State.

The bill establishes a revolving New York City Seasonal Financing Fund, to be administered by the Secretary of the Treasury, and authorizes the appropriation of \$2.3 billion to the Fund for the purpose of making loans. All repayments of principal are to be returned to the Fund, but all income from Fund investments and loans reverts to the Treasury as miscellaneous receipts. Upon termination of the Fund's authority on June 30, 1978, the balance is returned to the Treasury. The Secretary is authorized to sell any note or loan obligation held by the Fund to the Federal Financing Bank. Such sale would have the effect of taking the loans "off budget."

Finally, an appropriation authorization of such sums as may be necessary is provided for administrative expenses under this Act.

# # #