MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

April 2, 1986

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 11:00 A.M. on Wednesday, April 2, 1986, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, New York City.

The following Directors were present, constituting a quorum of the Board:

Felix G. Rohatyn, Chairman
Edward M. Kresky, Vice-Chairman
George M. Brooker
Eugene J. Keilin
Dick Netzer
Andrew P. Steffan
Robert C. Weaver

The following Representatives were present:

Jerome Belson
Carl H. Pforzheimer III

The following members of the Staff were present:

Stephen J. Weinstein
Maxine H. Gillman
Frances N. Higgins
Steven C. Markbreiter
Quentin B. Spector

Also present by invitation of the Board were: James M. Dubin, Saul H. Finkelstein and Lee S. Pershan of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; Donald J. Robinson and Jack M. Schrager of Hawkins, Delafield & Wood, Bond Counsel to the Corporation;
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Abraham Biderman, Steven Levine, Eleni Pounaras and Leslie N. Buch of the City of New York; Michael Zino of the New York State Financial Control Board; Bernard J. Kabak, Michael Brooks and Brian Perlee of the Office of the State Special Deputy Comptroller; Edward M. Fox of Carter, Ledyard & Milburn, Counsel to United States Trust Company; Gedale B. Horowitz and Jenny A. Hourihan of Salomon Brothers Inc; and Eugene W. Goodwillie, Jr. and Anthony F. Kahn of White & Case.

Adoption of Minutes

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Minutes of the Special Meeting of the Board of Directors held on December 5, 1985 be and hereby are adopted.

Proposed Financing

Mr. Weinstein stated that the Corporation was proposing to sell $877.45 million of its Second Resolution Series 57 Bonds on a negotiated basis to an underwriting syndicate led by Salomon Brothers Inc. He stated that all of the net proceeds of the issue would be used to advance refund the Corporation's outstanding Series 25, 26, 32, 33, 36 and 39 Bonds, all
previously issued under the Corporation's Second General Bond Resolution. He explained that the proposed issue would be comprised of six serial bonds totaling $195 million, maturing in each of the years 1996 through 2001, and three term bonds totaling $682.45 million, maturing in 2004, 2006 and 2008, with the specific terms set out on the cover of the proposed Official Statement. He stated that the true interest cost of the proposed issue would be 7.34%, and would result in a present value savings to the Corporation of approximately $52 million. He observed that the proposed transaction would be the second largest public sale ever undertaken by the Corporation, and would be the largest advance refunding ever undertaken by any issuer in the tax-exempt market.

Ms. Gillman outlined the principal substantive changes included in the proposed Official Statement for the Series 57 Bonds from the Official Statement for the Series 56 Bonds.

Mr. Robinson summarized the salient provisions of the proposed Series 57 Resolution. He stated that, among other things, the resolution set forth the purpose of the issue and the terms of the bonds, and authorized the sale of the bonds to a syndicate led by Salomon Brothers Inc. He noted that the resolution established a trust fund for the refunded bonds and set forth the terms of redemption of such bonds. He further
noted that the resolution included a provision for insurance from Municipal Bond Insurance Association for the $75 million of Series 57 Bonds maturing on July 1, 2004.

Mr. Horowitz stated that the timing of the proposed sale of the Series 57 Bonds was propitious in terms of both the market for the new issuance and the yield on the refunding escrow account. He noted that orders for the Series 57 Bonds were received nationwide, with great demand among institutions and municipal bond funds.

Mr. Rohatyn thanked Salomon Brothers for their highly successful marketing efforts and noted that the true interest cost of the Series 57 Bonds would be the lowest ever achieved by the Corporation in a public sale.

After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Series 57 Resolution, substantially in the form as presented to the meeting, with such non-substantive changes as General Counsel and Bond Counsel may, in their discretion, require, be and hereby is adopted.

Agreement with City and State

Mr. Rohatyn reported that, after several months of negotiation and subject to the approval of the Corporation's
Board of Directors, an agreement in principle had been reached with the City and the State as to the availability and use of $1.6 billion in excess revenues of the Corporation.

Mr. Weinstein stated that such agreement would be in addition to revenues to be provided under the March 1984 agreement with the City and the State and would cover the 1987 through 1995 fiscal years. The $1.6 billion of revenues, he said, would consist of $602 million in earnings on the Corporation's funds, $621 million in releases from the capital reserve funds, and $377 million in debt service savings resulting from refundings, and would be applied as follows: $925 million to finance capital projects of the New York City Transit Authority; $375 million for City operating purposes; and $300 million to redeem a portion of the Corporation's outstanding bonds prior to maturity. He stated that, subject to the Board's approval, a joint press release by the State, the City and Corporation would be disseminated delineating the terms of the agreement and that the agreement would be reflected in a memorandum of understanding to be signed by each of the parties.

Mr. Rohatyn noted that he had spoken to Governor Cuomo and Mayor Koch prior to the meeting, both of whom had expressed their gratitude for the Corporation's ability to make such an
agreement feasible. He complimented the Staff for their professionalism and efficiency in bringing this agreement to fruition and in implementing the sale of the Series 57 Bonds. Mr. Rohatyn also noted that, with the sale of the Series 57 Bonds, the Corporation would complete all the advance refunding required to produce the debt service savings anticipated under the agreement. He stated that the Corporation's prudent financial management was the key in enabling the Corporation to generate such excess monies for such important purposes.

In response to a question from Dr. Netzer, Mr. Rohatyn said that because the actual terms of the Series 57 sale were somewhat more favorable than anticipated, greater debt service savings had been achieved, providing a cushion for the Corporation in meeting its $1.6 billion of new commitments.

After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Chairman of the Corporation be and hereby is authorized to execute a Memorandum of Agreement setting forth the terms of the sources and uses of $1.6 billion in excess revenues over the 1987 through 1995 period as presented to the meeting.

The Board directed that a copy of the Executive Director's memorandum of April 1, 1986 regarding the proposed agreement be appended to the Minutes of the meeting.
Investment Advisor

Mr. Kresky, Chairman of the Corporation's Investment Committee, reported that the Corporation had circulated a request for proposals to various banks providing investment advisory services in order to select a successor to Citibank, N.A., whose investment advisory agreement with the Corporation expired on March 31, 1986. He stated that the Investment Committee and the Staff had reviewed the proposals received. On the basis of that review, he stated, the Investment Committee was recommending the appointment of the Bank of New York as the Corporation's Investment Advisor for a term of fifteen months commencing April 1, 1986, at an annual fee of $44,100.

After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Executive Director be and hereby is authorized to enter into an investment advisory agreement with the Bank of New York for a term of fifteen months commencing April 1, 1986, at an annual fee of $44,100.

The Board directed that a copy of the Chairman of the Investment Committee's memorandum of April 2, 1986 regarding the appointment of the Bank of New York as Investment Advisor be appended to the Minutes of the Meeting.
Termination of Commercial Paper Program

Mr. Weinstein stated that the final note scheduled to mature under the Corporation's Commercial Paper Program had been paid on March 31, 1986, thereby bringing the program to a close. He estimated that the program, which had commenced in July 1982, had saved the Corporation approximately $50 million in debt service costs over its life. Mr. Rohatyn expressed his appreciation for the program's success to the Board and the Staff, to Citibank, N.A., and Manufacturers Hanover Trust Company, for providing the letters of credit, and to The First Boston Corporation, Salomon Brothers Inc and Citibank, N.A., for acting as dealers.

Adjournment

There being no further business before the meeting, it was, upon motion duly made, seconded and unanimously carried, adjourned at 11:35 A.M.

Maxine H. Gillman
Secretary

bba:104
MUNICIPAL ASSISTANCE CORPORATION: REVISED MAC II PROPOSAL

($ Million)

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<thead>
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<th>Fiscal Year Ending June 30</th>
<th>Earnings (All Funds)</th>
<th>Capital Reserve Releases</th>
<th>Refunding Debt Service Savings*</th>
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<td>1995</td>
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<td><strong>$ 621</strong></td>
<td><strong>$ 377</strong></td>
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*Refunding program of approximately $850 million.

USES

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<th>Fiscal Year Ending June 30</th>
<th>City Operating</th>
<th>Transit Capital*</th>
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<td>1995</td>
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<td><strong>$ 925</strong></td>
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*MTA and TA fiscal years end each prior December 31, coinciding with each prior calendar year.

03/12/95
:55a7
Date: 1 April 1986
To: Board of Directors
From: Stephen J. Weinstein
Re: Proposed Financing and Agreement

At the meeting scheduled for 11:00 A.M. tomorrow -- Wednesday, April 2, 1986 -- you will be asked to approve the proposed sale of the Corporation's Series 57 Bonds in accordance with an offer to be made by an underwriting group led by Salomon Brothers Inc. This sale of approximately $877 million at a true interest cost of 7.3372% (with maturities ranging from 1996 to 2008 and coupons ranging from 6% to 7½% with yields of 6½% to 7.317%) will provide for the refunding of approximately $697 million of six outstanding series of Second Resolution bonds -- Series 25, 26, 32, 33, 36 and 39 (with coupons from 10% to 13-3/8% and maturities from 2000 to 2008). This is the largest advance refunding undertaken by the Corporation or any other tax-exempt issuer, its second largest public offering, and the most favorable rate structure of any of its public sales.

This transaction in an extremely favorable market environment will enable the Corporation to accomplish all of the refunding necessary to provide the debt service savings contemplated by our proposed agreement with the State and the City. That proposal, as set out in my memorandum of March 18, 1986, would make available $1.6 billion of the Corporation's funds over the nine fiscal years 1987 through 1995 from three sources -- $602 million of earnings from our various funds, $621 million from the release of excess monies from our reserve funds as our outstanding debt is paid down, and $377 million in debt service savings from refunding. These funds would be put to three important uses -- $925 million for capital improvements for the New York City Transit Authority, $375 million for City operating purposes, and $300 million for accelerating repayment of some of our outstanding bonds during the period covered by the agreement. A copy of the detailed schedule is attached for your reference.

Although the language of the proposed memorandum of understanding is yet to be finalized, the City has agreed to this allocation of the funds and the State is expected to agree on the same basis.

Enclosure

Attachment

DDA:104
MEMORANDUM

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Date: 2 April 1986
To: Board of Directors
From: Edward M. Kresky
Re: Appointment of Investment Advisor

The Investment Committee recommends that the Bank of New York be appointed the Corporation's Investment Advisor for a fee of $55,125 during the 15-month period from April 1, 1986 to June 30, 1987 ($44,100 annually).

After a review of proposals, the staff concluded that The Bank of New York best meets the Corporation's requirements at the lowest cost. This determination was made on the basis of the Bank's demonstrated abilities and because its fees are the most competitive.

:bball6