MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

June 5, 1991

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 3:00 P.M. on Wednesday, June 5, 1991, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of the Americas, New York City.

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

Felix G. Rohatyn, Chairman
Kenneth J. Bialkin
George Brooker
John P. Campbell
Gedale Horowitz
Eugene J. Keilin
Dick Netzer
Andrew P. Steffan

Mr. Campbell participated in the meeting by telephone, in accordance with Section 5.6 of the Corporation's By-Laws.

The following Representatives were present:

Jerome Belson
Joel B. Mouty
Jerome Reiss

The following members of the Staff were present:

Quentin B. Spector
Frances H. Jacobs
Lynnette Kelly

Also present by invitation of the Board were: Allen L. Thomas and Saul H. Finkelstein of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; Kathleen McDonough of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; Bernard Kabak and Robert Horowitz of the Office of the Special Deputy Comptroller;
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Michael Geffrard, John Crotty and Mark Clayton of The City of New York; Michael Zino and Namita Kansal of the State Financial Control Board; and Michael Delaney and Robert A. Cenci of Goldman, Sachs & Co.

Adoption of Minutes

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

RESOLVED, that the Minutes of the Special Meetings of the Board of Directors held on January 18, 1991 and February 6, 1991, be and hereby are approved.

Appointment

Mr. Spector informed the Board that the Finance Committee had adopted a resolution appointing Lynnette Kelly as Counsel and Secretary, due to the resignation of Maxine H. Hirt. He asked the full Board to ratify such action.

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

RESOLVED, that the Resolution of the Finance Committee dated March 29, 1991 appointing Lynnette Kelly as Counsel and Secretary to the Corporation, be and hereby is ratified.

Signature Authorization Resolution

Mr. Spector informed the Board that the Finance Committee had adopted a resolution authorizing certain designated officers of the Corporation (Executive Director,
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Deputy Executive Director, Counsel and Treasurer) to sign checks on the Corporation's behalf. He asked the full Board to ratify such action.

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

RESOLVED, that the Resolution of the Finance Committee dated March 29, 1991 authorizing the persons holding the offices of Executive Director, Deputy Executive Director, Counsel and Treasurer to sign checks on the Corporation's behalf, be and hereby is ratified.

Code of Ethics

Mr. Spector informed the Board that legislation adopted in 1989 requires that boards of public benefit corporations, who are compensated on a per diem basis, develop and adopt a code of ethical conduct governing issues such as conflicts of interest and business and professional activities of directors. Mr. Spector stated that, pursuant to the Chairman's request, he had contacted four Board members to serve on a special committee to develop a code of ethics for the Board. Those Directors so contacted were:

Dick Netzer
Kenneth J. Bialkin
George Brooker
Robert C. Weaver

and each has agreed to serve. Dr. Netzer has agreed to serve as chairman of this special committee.
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Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that a special committee of the Board be established to develop a code of ethical conduct for the entire Board to consider and adopt; and that the members of such committee are Dick Netzer (Chairman), Kenneth J. Bialkin, George Brooker and Robert C. Weaver.

Representatives

Mr. Spector introduced Mr. Jerome Reiss to the Members of the Board. Mr. Reiss was appointed to the Board by The Honorable Melvin Miller, Speaker of the New York State Assembly. He replaces Mr. Leonard Nadel. Mr. Rohatyn extended a formal welcome to Mr. Reiss on behalf of the entire Board.

Refunding of First Resolution Bonds

Mr. Rohatyn discussed the current status of the Corporation's plan to refund its outstanding First Resolution Bonds in order to provide budgetary relief to the City. He began the discussion by noting that Standard & Poor's Corporation viewed the refunding as a one-shot revenue enhancer and as further evidence that the City is unable to manage its fiscal affairs in a manner consistent with an "A-" rated credit. Because of these reasons, Standard & Poor's threatened to downgrade the City's credit rating should the Corporation proceed with the refunding. Mr. Rohatyn disagreed with the view expressed by Standard &
Poor's Corporation and stated that he felt the refunding proposal provided an incentive for the City to achieve structural balance because of the conditions attached to the refunding. However, he reminded the Board of the Corporation's legislative mandate to help the City retain investment grade ratings and full access to the financial markets. This mandate hindered proceeding with the refunding proposal at this time.

Mr. Rohatyn commented that the Corporation must now take a "watch and wait" approach and put the refunding proposal back on the table at a later time. He reminded the Directors that $1.5 billion in surplus funds were dedicated to the City for operating purposes last summer and that the Corporation's contributions to the City's operating budget should be acknowledged.

Finally, Mr. Rohatyn discussed the need for the involvement of the Financial Control Board to give an expert opinion on the feasibility of the City's budget and whether it is in structural balance when the refunding is accomplished. He stressed that the Corporation is not attempting to create a new role for the Financial Control Board but, like other public issuers, can and should look to outside experts to comfort its investors. Mr. Rohatyn noted that the refunding proposal is evolving in light of current budget negotiations. He stated that yearly releases of surplus funds generated by the refunding tied to a Financial
Control Board certification regarding the structural balance of that year's budget is among the items under discussion. He noted, though, that the State and City budget situations must be stabilized before the Corporation proceeds with the refunding.

In response to a question from Dr. Netzer, Mr. Rohatyn discussed the outside date at which point the refunding proposal is no longer of benefit to the City. Mr. Rohaytn stated that the refunding must be accomplished by December 31, 1991 to assure the maximum benefit to the City.

Mr. Bialkin reconfirmed the Board's position that the Corporation should assist the City in achieving a structurally balanced budget, and should avoid actions that in the absence of a credible overall plan, might actually worsen the City's problems.

Power of Attorney

Mr. Rohatyn informed the Board that he would be out of the country for several weeks and gave Mr. Keilin, as Chairman of the Finance Committee, power of attorney to act on his behalf.

Other Business

Mr. Rohatyn commended Dr. Netzer on his article which appeared recently in the New York Times. He agreed with Dr. Netzer's call for a realignment of the State and City
revenue bases, service delivery systems and taxing powers.
He directed the staff to furnish the Board and the
Representatives with copies.

Adjournment

There being no further business before the Board, it
was, upon motion duly made, seconded and unanimously
carried, adjourned at 3:40 P.M.

Lynnette Kelly
Secretary

LK:vrw
RESOLUTION OF THE FINANCE COMMITTEE OF
THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

RESOLVED, that Lynnette Kelly be and hereby is
appointed Counsel and Secretary of The Municipal
Assistance Corporation For The City of New York.

Felix G. Rohatyn

Date: March 29, 1991
RESOLUTION OF THE FINANCE COMMITTEE OF
THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

RESOLVED, that the following Officers of the
Corporation be and hereby are authorized to sign checks
on the Corporation's behalf: the Executive Director,
Deputy Executive Director, Treasurer or Counsel.

Felix G. Rohatyn

Eugene J. Keilin

Date: March 29, 1991
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

January 18, 1991

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 10:00 A.M. on Friday, January 18, 1991, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of the Americas, New York City.

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

Felix G. Rohatyn, Chairman
Kenneth J. Bialkin
John P. Campbell
Eugene J. Keilin
Andrew P. Steffan
Robert C. Weaver

Mr. Campbell participated in the meeting by telephone, in accordance with Section 5.6 of the Corporation's By-Laws.

The following Representative was present:

Joel B. Mounty

The following members of the Staff were present:

Quentin B. Spector
Frances H. Jacobs
Lynnette Kelly

Also present by invitation of the Board were: Allen L. Thomas and Saul H. Finkelstein of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; Donald J. Robinson, Kent K. Reynolds and Willie Dennis of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; Michael J. DelGiudice of Lazard Freres & Co.,
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Financial Advisor to the Corporation; Bernard Kabak and
Michael H. Gibbons of the Office of the Special Deputy
Comptroller; Michael Burke, Larry Liederman and Matthew
Jones of The City of New York; Michael Zino of the State
Financial Control Board; and Robert N. Downey, Michael
Delaney and Robert A. Cenci of Goldman, Sachs & Co.

Ms. Kelly served as Acting Secretary for the meeting.

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 October 17,
1990, be and hereby are approved.

1991 General Bond Resolution

Mr. Rohatyn stated that the legislation enacted in July
1990 necessitated the establishment of a new general bond
resolution. He stated that the purpose of today's meeting
was to have a preliminary review and discussion of the 1991
General Bond Resolution before its adoption at the time of
the next bond sale.

Mr. Robinson noted that the proposed 1991 General Bond
Resolution was drawn in large part from the First General
Bond Resolution and the Second General Bond Resolution. He
outlined the significant differences between the proposed 1991 General Bond Resolution and the existing Resolutions, noting that most of the differences resulted from developments in the municipal marketplace since adoption of the Corporation's other general bond resolutions in 1975 and changes in law. He stated that the 1991 General Bond Resolution would be used both for the new issuance authority under the July legislation and for refunding purposes.

Mr. Rohatyn commented on the advantages of the additional financing flexibility that the proposed 1991 General Bond Resolution provides.

In response to a question from Mr. Steffan, Mr. Spector stated that the Corporation should not expect to receive the same ratings for bonds to be issued under the new resolution compared to the ratings for bonds issued under the First or Second Resolutions. Mr. Spector noted that the revenues supporting bonds issued under the new resolution must first be used to satisfy obligations issued under the First and Second Resolutions. He remarked that the Staff has met with the three rating agencies, who have commented informally that they are considering ratings in the "A" category with a high "A" not out of the question.

Mr. Rohatyn opined that the Corporation would get a strong investment grade rating even though the 1991 General Bond Resolution is subordinate to the First and Second General Bond Resolutions and is without the "moral
obligation" of the State to replenish the reserve fund.

Mr. Spector noted that since the rating on the Corporation's bonds is higher than the State's rating, the "moral obligation" of the State to replenish the reserve fund established under the new resolution would not be critical to our rating. Mr. Spector informed the Board that the Staff solicited requests for proposals for Trustee services and would make a recommendation for appointment to the Board at the time of sale. The appointment of the Trustee would be contained in the 1991 General Bond Resolution. He stated that the 1991 General Bond Resolution and the series resolution authorizing the sale of the first issue of bonds under the 1991 General Bond Resolution to an underwriting syndicate would be adopted at the meeting of the Board held to authorize the bond sale.

Refunding of the Series 55 Bonds

Mr. Spector discussed a proposed refunding of the Series 55 Bonds in order to introduce the 1991 General Bond Resolution to the market and to establish its credit. Mr. Spector noted that the issue size would be approximately $138 million and would generate approximately $600,000 per year in savings, overall savings being approximately $5 million or 4% present value savings. He stated that the bond sale would occur in the first week in February, subject to market conditions.
Mr. Rohatyn asked the representatives from Goldman, Sachs & Co., the proposed underwriters of the bonds, for their comments on the proposed bond issue. Mr. Delaney agreed with Mr. Spector that a relatively small issue would be the most appropriate introduction of the new credit to the market.

The Directors concurred that the refunding of the Series 55 Bonds at this time was an appropriate way to introduce the 1991 General Bond Resolution to the credit markets.

Appointments

Mr. Rohatyn explained his decision to stay on as Chairman of the Corporation despite his expressed intent during the October 17, 1990 meeting to resign by the end of calendar year 1990.

(Mr. Bialkin joined the meeting at this point.)

Mr. Rohatyn explained that during a January 1991 meeting with the Governor, he was urged to remain as Chairman of the Corporation until the City and State budget discussions were completed. Mr. Rohatyn noted that the Governor was deeply troubled by the further financial deterioration of the City and the State. He stated that the Governor felt that the City's repeated requests to the Corporation for assistance in one way or another necessitated continuity in the position of Chairman of the Corporation. Mr. Rohatyn stated that he concurred in the
Governor's view. Mr. Rohatyn concluded by saying that the Governor's charge to him and the other Board members was to maintain the integrity of the Corporation and to preserve its reputation in the credit markets in the event the City would require the Corporation's financing assistance in the future. Mr. Rohatyn informed the Board that he had assured the Governor that maintenance of the Corporation's fiscal integrity had always been and would remain the goal of the Directors.

City Financial Plan

Mr. Rohatyn began a discussion of the City Financial Plan for Fiscal Years 1991-1995 (the "Financial Plan") released on January 16, 1991 by stating that although the City had approached the Corporation numerous times over the past several months about Corporation refinancings, both the City and the Corporation had agreed that the inclusion of Corporation refinancings in the Financial Plan, either to close budget gaps or as contingency measures, was not warranted at this time. Mr. Rohatyn stated that he has told City and State officials that the Corporation would cooperate and assist the City in any way that is fiscally sound. He noted that in addition to the funds already committed to the City under the July 1990 Memorandum of Agreement between the Corporation, the State and the City, the Corporation may be able to refund certain existing
obligations to provide debt service savings. Mr. Spector commented that the viability of the Financial Plan would remain unclear until the State budget is adopted because of the Financial Plan's reliance on State aid. He stated that the City has made a reasonable attempt to define its problems, given the uncertainty of State aid revenues, but the ability of the City to follow through on its plans to cut spending remains to be seen. Mr. Spector commented that the Control Board, the Office of the Special Deputy Comptroller for New York City and City Comptroller would be releasing their reports on the Financial Plan in the near future.

Mr. Rohatyn stated that the size of State aid cutbacks, the economic deterioration in the City, the stability of the financial markets and the approval of additional taxes proposed by the City are all open items which would affect the feasibility of the Financial Plan. He noted that the ability of the City to reduce expenditures raises the broader issue of the types of services the City would be able to provide in the future.

Mr. Rohatyn advised the Board that he was asked by the Governor to head a committee of economic advisors to advise the State on closing its budget gap.

In response to a question from Mr. Bialkin as to whether the proposed layoffs of municipal workers would alleviate the budget gap recently exacerbated by high labor
settlements, Mr. Spector said that wage deferrals, meant to defer or postpone layoffs, were suggested by the City but that initial union responses were not positive. Mr. Keilin expressed hope that a comprehensive City plan would soon be proposed which would include an agreement from labor unions on wage deferrals or layoffs.

Mr. Rohatyn recommended that the State and the City develop a two-to-three year combined financial plan to indicate how the City planned to deal with its large budget gaps. He noted that the Corporation may be called upon to assist the City as a result of such a plan.

Mr. Rohatyn concluded the meeting by urging the City to implement the results of a study by the Carey Commission, organized by Mayor Koch, which outlined, on a department by department basis, productivity and capital savings which could be realized within City government.

Adjournment

There being no further business before the Board, it was, upon motion duly made, seconded and unanimously carried, adjourned at 10:45 A.M.

Lynnette Kelly
Acting Secretary
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

February 6, 1991

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 10:00 A.M. on Wednesday, February 6, 1991, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of the Americas, New York City.

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

Felix G. Rohatyn, Chairman
Kenneth J. Bialkin
John P. Campbell
Eugene J. Keilin
Dick Netzer
Robert C. Weaver

The following Representatives were present:

Jerome Belson
Joel B. Mouny

The following members of the Staff were present:

Quentin B. Spector
Frances H. Jacobs
Maxine H. Hirt
Lynnette Kelly

Also present by invitation of the Board were: Allen L. Thomas and Saul H. Finkelstein of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; Donald J. Robinson, John J. Keohane, Kent K. Reynolds and Willie Dennis of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; Bernard Kabak of the Office of
the Special Deputy Comptroller; Deputy Mayor Sally Hernandez-Pinero and Jeff Hausman of The City of New York; Jewel Douglas of the State Financial Control Board; Robert N. Downey, Michael Delaney, Robert A. Cenci and Charles E. Blankmeyer of Goldman, Sachs & Co. and Anthony F. Kahn and Laurie J. Spengler of White and Case, Counsel to the Underwriters.

Proposed Financing

Mr. Spector reported that, in connection with the proposed sale of the Series A Bonds under a new 1991 General Bond Resolution, the Corporation had received "A" ratings from Standard & Poor's Corporation and Moody's Investors Service and a "AA" rating from Fitch Investors Service. He noted, however, that the pricing and favorable market reception of the bonds were better than such ratings would indicate.

Mr. Spector outlined the proposed sale of $138,440 million of Series A Bonds to refund the Corporation's outstanding Series 55 Bonds, bearing interest at rates ranging from 8 1/2% to 9.10%. Mr. Spector stated that the Series A Bonds would consist of serial maturities from 1992 through 2003 and a term maturity in 2008, at rates ranging from 5.30% to 6 5/8%, as shown on the cover of the proposed Official Statement. He stated that the proposed sale would produce debt service savings of approximately $700,000.
annually and present value savings of approximately $8 million.

Mr. Spector discussed the Trustee selection process for bonds issued under the 1991 General Bond Resolution and noted that United States Trust Company of New York, currently Trustee under the First and Second General Bond Resolutions, was proposed to be appointed as trustee for such bonds. He noted that, in connection with the selection process, a reduced fee schedule was negotiated with United States Trust Company of New York, saving the Corporation an estimated $150,000 to $200,000 per year.

Mr. Robinson summarized the principal provisions of the proposed Series A Resolution. He stated, among other things, that such resolution, with maturities, interest rates and redemption provisions as set forth therein, would authorize the sale of the Series A Bonds to an underwriting group headed by Goldman, Sachs & Co., at a price equal to a discount from the initial public offering prices of 0.8447%, to refund the outstanding Series 55 Bonds. He noted that a summary of the 1991 General Bond Resolution, also proposed for adoption at this meeting, had been given at the meeting of the Board held on January 18, 1991.

Mr. Cenci discussed the results of the pricing of the Series A Bonds, noting that the market was extremely receptive. He noted that in keeping with his firm's view that the ratings were lower than the Corporation's credit
warranted, the pricing reflected a market perception of a stronger credit. He stated that the rating agencies have been generally more conservative lately given the state of the national, State and City economies.

Mr. Bialkin joined the meeting at this point.

Ms. Hirt summarized the principal changes in the proposed Official Statement for the Series A Bonds from the Official Statement for the last sale of the Corporation's bonds, the Series 68 Bonds, in November 1988, noting in particular significant new information concerning the 1991 General Bond Resolution, the July 1990 legislation amending the Corporation's enabling legislation, the July 1990 Memorandum of Agreement and current developments in the State and City. She reported that the State section described the Governor's 1992 Executive Budget and the projected revenue shortfall for the 1991 fiscal year of $900 million, proposed to be closed by the issuance of deficit notes. She stated that the City section described recent labor settlements, the recent modification of the City's 1991-1994 Financial Plan and reports by various fiscal monitors.

The Directors expressed their appreciation for the efforts of the Staff, financial advisor, general corporate counsel, bond counsel and the underwriters in bringing this financing to market.

After discussion, upon motion duly made, seconded and unanimously carried, it was:
RESOLVED, that the 1991 General Bond Resolution and the Series A Resolution, substantially in the forms as presented to the meeting, with such non-substantive changes as General Counsel and Bond Counsel may, in their discretion, require, be and hereby are adopted.

Other Matters

Mr. Rohatyn discussed the Governor's newly-released Executive Budget, noting that the impact on the City could be devastating, and would likely contribute to a deficit that could total $3 billion in 1992. Mr. Rohatyn summarized a recent proposal by the City concerning the refunding of the First Resolution Bonds, stating that there were no current discussions on the subject, and reiterated the Corporation's position that the Corporation is willing to assist the City so long as the Corporation's involvement is part of a comprehensive plan acceptable to the Financial Control Board. He noted that the law requiring the City to maintain a GAAP-balanced budget could result in a crippling austerity.

Deputy Mayor Hernandez-Pinero agreed with Mr. Rohatyn that the Corporation's involvement would be in the context of a comprehensive budget plan acceptable to the rating agencies and the Financial Control Board.

Mr. Keilin pointed out that while everyone is aware of current State and City budgetary problems, there is no sense of urgency like that which existed in 1975. He stated that, in his opinion, people would want to make significant
changes only when this sense of urgency is felt.

Mr. Netzer noted that in his view, the biggest difference between 1991 and 1975 is that the current budget gaps result from an imbalance between current revenues and expenses rather than the accumulated deficits which existed in the 1970's.

Mr. Bialkin stated that the Governor's Executive Budget points to a willingness to face problems, which will require difficult choices. He praised the Mayor's diligence in working to recognize and solve the City's problems.

Adjournment

There being no further business before the Board, it was, upon motion duly made, seconded and unanimously carried, adjourned at 10:35 A.M.

Maxine H. Hirt
Secretary

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