MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

June 20, 1988

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 9:00 A.M. on Monday, June 20, 1988 at the offices of Lazard Freres & Co., One Rockefeller Plaza, New York City.

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

Felix G. Rohatyn, Chairman
Eugene J. Keilin
Dick Netzer
Andrew P. Steffan
Robert C. Weaver

There were no Representatives present.

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 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 William Horne of Orrick, Herrington & Sutcliffe, Bond Counsel to the Corporation; Robert Horowitz of the Office of the State Deputy Comptroller; Jewel Douglas of the State Financial Control Board; Robert N. Downey, Robert A. Cenci, Michael C. Delaney and Charles E. Blankmeyer of Goldman, Sachs & Co.; and Anthony F.
Kahn and Adam Deery of White and Case, Counsel to the Underwriters.

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 January 25, 1988 be and hereby are approved.

Proposed Financing

Mr. Weinstein reviewed the composition of the Corporation's underwriting management group for the negotiated sale of its Series 66 Bonds as proposed by the Finance Committee. He explained that changes were required by the circumstances of the departure from the municipal business of Salomon Brothers, long the Corporation's lead manager, and of L. F. Rothschild, a co-manager, last Fall. He reported the recommendation of the Finance Committee that Goldman, Sachs & Co. serve as the lead manager, and that the other five previous co-managers be retained in the group with Merrill Lynch followed by Bear, Stearns & Co., Inc.; Citicorp Investment Bank; J.P. Morgan Securities Inc.; and Shearson Lehman Hutton Inc. He further reported that the five minority-owned firms which had been members of the Corporation's
previous selling group had been invited to compete for a position in the management group, and that WR Lazard Securities Corp had been selected as a result.

Mr. Weinstein outlined the proposed sale of $700.6 million of Series 66 Bonds to advance refund the Corporation's outstanding Series 11, 12, 13, 20, 21 and 22 Bonds, bearing interest at rates ranging from 8.35% to 8.75%.

Mr. Weinstein explained that most of the bonds to be refunded matured within ten years and that the structure of the proposed new series was designed with matching principal payments in order to take full advantage of market demand and to maximize the economic return of the transaction. Therefore, he continued, the Series 66 Bonds would consist of eleven serial maturities from 1989 through 1999 and one term maturity in 2008, at rates ranging from 5.20% to 7.75%. He stated that the underwriting fees would be $8.25 per thousand dollars, lower than in any of the Corporation's previous negotiated financings. He reported that the proposed sale would produce present value savings of approximately $33 million and debt service savings of approximately $60 million distributed evenly over the 20-year life of the Series 66 Bonds.

Mr. Weinstein expressed his appreciation to the members of the new management group, and commended Goldman, Sachs & Co., in its new lead position, for conducting the offering of the Series 66 Bonds in a most effective manner.
Mr. Weinstein stated that Moody's Investors Service, Inc. had recently upgraded its ratings for the Corporation's First and Second Resolution bonds from "A1" to "Aa." He added that the staff would be discussing possible upgradings with the other rating agencies during the coming weeks.

Mr. Robinson summarized the principal provisions of the proposed Series 66 Resolution, stating, among other things, that such resolution, with maturities, interest rates and redemption provisions as set forth therein, would authorize the sale of the Series 66 Bonds to a syndicate headed by Goldman, Sachs & Co. to refund the outstanding Series 11, 12, 13, 20, 21 and 22 Bonds. Mr. Robinson stated that the Series 66 Resolution established a trust fund for the refunded bonds and set forth the redemption provisions for such bonds.

Ms. Gillman summarized the major changes in the proposed Official Statement for the Series 66 Bonds from that authorized for the Series 65 Bonds issued in March 1988. She noted that the City and State sections respectively reflected the proposed fiscal 1989 City budget and a projected State revenue shortfall of approximately $900 million in its current fiscal year. Mr. Weinstein stressed the importance of these developments, and pointed out that they were noted in the summary section at the front of the disclosure document as well as discussed in detail subsequently.
Mr. Rohatyn noted the substantial decline in the State Stock Transfer Tax collection for the most recent quarter, as reported in the proposed Official Statement, which reflected a continuing downturn in the financial industry. Mr. Weinstein observed that while the decline did not erode the generous coverage ratios for the Corporation's securities, in light of the level of State Sales Tax revenues and no contemplated use of Stock Transfer Tax funds, it was an important indication that City economic conditions were uncertain.

Mr. Downey expressed the appreciation of Goldman, Sachs & Co. for its selection by the Corporation to lead its negotiated financing. He stated that by entering the market at this time with this array of securities the Corporation had been able to take maximum advantage of attractive interest rates and prevailing demand. He complimented the Corporation's staff on its professionalism in preparing the proposed issuance, and said that he and his colleagues looked forward to a continuing excellent working relationship that had already been established in the course of this transaction.

Mr. Rohatyn welcomed Goldman, Sachs & Co. and stated that he looked forward to a long-term productive association between the Corporation and the firm in its new lead position. He emphasized the Corporation's substantial and still expanding debt service coverage, and encouraged the staff and the underwriters to explore additional rating upgradings.
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After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Series 66 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.

Other Matters

Mr. Rohatyn briefed the Board on the status of a proposal to improve the process of school construction in New York City. He stated that a committee formed by the Governor last Fall, of which he was Co-Chairman, had recommended that responsibility for school construction be turned over to an independent State entity -- the New York Dormitory Authority, which was embodied in a bill submitted by the Governor to the Legislature in January. He noted that recent legislative proposals by the Assembly Speaker's office had sought a very different approach which would simply employ existing Board of Education workers attached to a new agency. He noted further that discussions on these matters were continuing in Albany. Mr. Rohatyn recommended that the Corporation remain flexible with respect to the use of its additional surplus funds and in the event that no new appropriate school construction authority were created the Corporation consider using those funds to redeem outstanding bonds ahead of schedule.
Mr. Rohatyn reported that he had been informed by the Mayor that he had recommended to the Governor the nomination of Gedale B. Horowitz as a Director of the Corporation. He said that he looked forward to Mr. Horowitz's joining the Board.

Mr. Rohatyn summarized recent developments regarding the 1989 City Budget. He stated that the City Council and Board of Estimate had not yet adopted a budget, although negotiations were in progress. Dr. Netzer said that he was working with Mr. Weinstein to prepare the Corporation's annual review of the City Budget, but that commentary would necessarily have to await the completion of the budget process.

Adjournment

There being no further business before the meeting, it was, upon motion duly made, seconded and unanimously carried, adjourned at 9:30 A.M.

Maxine H. Gillman
Secretary

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