MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of Special Meeting of the Board of Directors

A Special meeting of the Board of Directors of Municipal Assistance Corporation for the City of New York, a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation ("Corporation"), was held at 1095 Avenue of the Americas, New York, New York on July 29, 1975 at 2:30 o'clock in the afternoon.

Attendance and Organization

The following Directors of the Corporation were present:

William M. Ellinghaus, Chairman
Francis J. Barry
John A. Coleman
Thomas D. Flynn
George D. Gould
Dick Netzer
Felix G. Rohatyn
Donna E. Shalala
Robert C. Weaver

constituting a quorum of the Board.

The following Representatives to the Board of Directors were present:
Zane Klein
Edward M. Kresky
Leonard Nadel

Arthur J. Quinn, M. Peter Schweitzer and Robert W. Seavey, Representatives to the Board of Directors, were absent.

Also present by invitation of the Board were: Herbert Elish, Executive Director of the Corporation, John Scanlon, Director of Public Relations of the Corporation, Robert Berliner of Arthur Young & Company, John S. Tamagni of Lazard, Freres & Company, Financial Advisor to the Corporation, Simon Rifkind and Allen L. Thomas of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, Peter C. Goldmark, Jr., Budget Director of New York State, Gary Kaplan, Robert Vagt and Michael Diffley of the Office of the Budget Director of New York State, Robert Wagner, former Mayor of New York City and Raymond Shipman of New York Telephone Company.

Mr. Ellinghaus served as Chairman of the meeting and Mr. Shipman served as Secretary of the meeting.

Current Business

Mr. Ellinghaus reported that he, Mr. Rohatyn, Mr. Flynn and Mr. Barry had met with Mayor Beame and reviewed the Corporation's program for reform in its present draft state. He reported that Mayor Beame took exception to both the expenditure freeze and the City tax freeze, stating that in his view these were unworkable. He did not believe that the proposed 10% management salary cut was fair in that some City management people had already taken voluntary cuts and, if such an
additional reductions were administered, there would be instances whereby a Supervisor would be receiving less compensation than the people he supervised.

Mr. Ellinghaus said that he felt it would be a wise position to let Mayor Beame propose publicly his program and the Corporation making public its own independent program. This would be done with the understanding that the Corporation package would give consideration to the Mayor's program.

Mr. Elish stated that the current status of the union negotiations had indicated to him that the representatives would like to find a way in which they could support a wage freeze with their membership. He stated that the union interpretation of the wage freeze that has appeared in the media was that it was defined as a roll back of the 6% increase that the employees had received on July 1, 1975 and that it would have no effect on scheduled wage progressions or any additional cost of living adjustments. He said that the unions were emphatic in stating that if the wage freeze was to be interpreted as eliminating any scheduled progression increases or any cost of living adjustments, that they could not support such a modification of their contracts under any circumstances. Mr. Elish said that he had made clear to the unions that the City was in need of something meaningful in terms of total dollars and that he was willing to discuss concepts with the union but would need approval of the Board.

Mr. Rohatyn stated that it was his considered judgement that the chances of default are at this time 7 out of 10. He said if default does occur, the City would probably be in chaos. He stated that he had
talked with the Administration in Washington and fully briefed them on the tense situation as it now exists.

Mr. Rohatyn outlined for the Board certain concepts that he had discussed with the union. He said that he felt that the primary goal at this time would be to reach an agreement in principal with details being specified at a later date. In regard to the wage freeze, it would be interpreted to mean as the unions had defined it, that is, only affecting the 6% increase that the membership had received on July 1, 1975. He said that discussions took place regarding a "recapture" of the monies involved in such a wage freeze. One approach, he said, would be to make any recapture contingent on the budget being balanced for a given fiscal year using the new accounting system and that recapture would also be contingent on the City being able to enter the credit market and finance on its own. He said that the unions understood that this could conceivably take at least a period of five years. Mr. Rohatyn stated that union rules had to be changed. This would include such things as time off for the giving of blood, "summer hours", and the inclusion of overtime wages in the last year of employment in the calculation of pensions. He said that the union had requested a guarantee of no further layoffs and this had been rejected. Mr. Rohatyn recommended that a voluntary agreement be obtained without any "street action". It was the consensus of the Board that an attempt be made to reach a voluntary agreement with the new interpretation of the wage freeze.

The discussion regarding the 10% reduction in management salaries disclose some concern about the fact that such a wage reduction would affect the pensions of those people affected. It was the consensus of the Board that this item should be left in the program with some
consideration given to removing the effect of such wage reduction as it
might have on the pensions.

Mayor Beame's objection to the item in the budget addressing
itself to management reform was discussed in detail. It was the consensus
of the Board that this recommendation should stay in the program with
possibly some rewording.

Both the expenditure freeze and tax levy freeze were discussed
in detail and it was the consensus of the Board that these items should
stay in the program.

Mr. Ellinghaus stated that he and a few of the other members
would meet with the Mayor again tonight and once more review the program.

Mr. Thomas stated that the law suit that had been refiled had
been argued in the courts and that a summary judgment for dismissal had
been issued from the bench.

Mr. Thomas said that it would be necessary for the Board to name
an Exchange Agent. It was recommended that the United States Trust Company
of New York be named as the Exchange Agent. Thereupon, it was, on motion
made and seconded, unanimously resolved that United States Trust Company of
New York be employed as the Exchange Agent in connection with the proposed
Exchange Offer to City noteholders.

Mr. Thomas stated that it would be necessary for members of
the Board to set forth any personal or corporate holdings that they may
have or control in City obligations. This is a legal requirement when
any corporation sets forth an exchange offer. He passed out to each member of the Board a Director and Representative Questionnaire. He asked that these questionnaires be completed and returned to him.

Mr. Ellinghaus requested that the Finance Committee make themselves available to work with Counsel on the details of the exchange offer. The Board approved the mailing of the Official Statement on Thursday, July 31, 1975.

Mr. Harrison J. Goldin, who had requested to appear before the Board, joined the meeting at the invitation of the Chairman. Mr. Goldin stated that he was concerned about the possibility of the success of an exchange offer involving Corporation securities that he had heard rumors about. He said that as one of the trustees of the City Pension Funds, there was a possibility that he could make available a total sum of $578 million. He pointed out that this money could be used to purchase Corporation securities thereby eliminating the necessity of making an exchange offer in August. Mr. Goldin said that it would be necessary for him to work very closely with the Board of Directors and the Finance Committee in order to make such funds available in such a short period of time.

Mr. Rohatyn replied that in order for this to be at all successful, it would be necessary for Mr. Goldin to issue to the Board of Directors a firm, unconditional offer of the amount of money involved. Mr. Rohatyn pointed out that there was probably only a period of 24 to 48 hours and asked Mr. Goldin if this was a sufficient amount of time for the trustees of all the pension funds to agree to his plan. Mr. Goldin said that if he had available to him the details of the Corporation's
program of reform, he felt that there might be sufficient time. Mr. Rohatyn said that the details Mr. Goldin was requesting would not be available but that certainly the Board would give consideration to his plan if Mr. Goldin would like to send a letter that would be a firm and unconditional offer.

Adjournment

There being no further business to come before the meeting, it was, on motion adjourned.

Raymond Shipman, Secretary of the Meeting