MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

A Special Meeting of the Board of Directors of the MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK was held at 4:30 P.M. on Monday, September 13, 1976, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, 345 Park Avenue, New York, New York.

The following Directors were present:

Felix G. Rohatyn, Chairman
Francis J. Barry
George M. Brooker
George D. Gould
Dick Netzer

constituting a quorum of the Board.

The following Representatives were present:

Edward M. Kresky
Leonard Nadel
Robert W. Seavey

Staff members attending:

Herbert Elish
Paul G. Giddings

Also present by invitation of the Board were:

Peter C. Goldmark, Jr., Director of the Budget of the State of New York; Melvin I. Heineman of Lazard Freres & Co., Financial Advisor to the Corporation; and Allen L. Thomas,
Frederick R. Cummings, Jr. and James M. Dubin of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation.

Resignation of Herbert Elish and Appointment of Eugene Keilen as Executive Director of the Corporation

Mr. Rohatyn stated that Mr. Elish had advised him that he had decided to return to private industry after serving for over a year as Executive Director of the Corporation. He stated that Mr. Elish's departure would be considered by the Board and by the Representatives to be both a loss of an Executive Director of outstanding ability and dedication and the loss of a man who would become a personal friend of many Board members and Representatives. He stated that Mr. Elish's departure would be a great loss for the Corporation.

Mr. Elish stated that he was grateful for having had the opportunity to make part of the unique contribution which the Corporation had made to the lives of the citizens of the City over the last year. He thanked each member of and Representative to the Board for their unfailing courtesy and stated that he had made many friendships during the course of his service which he would value in the future.

Mr. Goldmark added that Mr. Elish's contribution in the labor negotiations during the summer of 1975 was an invaluable contribution to the fiscal recovery of the City.
Mr. Rohatyn stated that he had been considering replacing Mr. Elish with Eugene Keilen, who is currently assistant to Kenneth Axelsson, the Deputy Mayor for Finance, and had discussed the possibility of this appointment with Mr. Keilen, who had indicated his willingness to accept the position.

Mr. Rohatyn stated that an annual salary of $45,000 had been discussed with Mr. Keilen, who stated that this was acceptable to him. Mr. Rohatyn stated that Mr. Netzer had raised the concern that, if the appointment of Mr. Keilen was not properly handled, it might appear that the Corporation was in some way being managed by City personnel. Mr. Rohatyn stated that he had discussed this issue with Mr. Keilen and that he believed that this potential problem could be avoided.

At this point Mr. Keilen was invited to join the meeting. Mr. Keilen stated that he believed that his experience with the City would be an asset in performing the duties of the Executive Director of the Corporation and that he understood the institutions with which the Executive Director would have to deal. He stated that in his service with the City, he had represented his client's interests as vigorously as possible and as Executive Director of the Corporation, he would represent the interests of his new client with equal vigor.

On motion duly made, seconded and carried, it was:

RESOLVED that the Corporation hereby appoints Eugene Keilen as its Executive Director upon the resignation of Herbert Elish.
Financing Arrangements through
November, 1976

Mr. Rohatyn stated that the matter of possible re-
financing of the bonds of the Corporation issued to the State
in the amount of $250,000,000 in November, 1975, should be discussed.
He stated that in order to raise the funds for the purchase of such
bonds, the State had issued short-term notes. He added that the
State had expected to sell the bonds of the Corporation to the
public in order to realize an amount sufficient to pay such notes
but that the downgrading by Moody's of its rating of the bonds of
the Corporation had hampered these plans.

He stated that the State had approached several investment
banking firms for advice with respect to such bonds. He stated that
one of such investment bank firms, Solomon Brothers, had advised
the State that it may be possible to market $100,000,000 through
$150,000,000 of bonds of the Corporation with a maturity of 10
years and with amortization beginning in the sixth year, at an
interest rate of 8-1/2% or 9%. He added that he understood that
Solomon Brothers had further advised the State that $250,000,000
of bonds of the Corporation could be sold at such interest rates
as 5-year serial bonds. He added that under either of these pro-
posals, the Corporation would be the entity selling the bonds and
that with the proceeds received from such sale, the Corporation
would retire the bonds held by the State. He added that in the
event that the Corporation was not able to sell the full $250,000,00
needed to repay the notes, it would be anticipated that the balance of such amount could be raised through sale of obligations to the various State Pension Funds. He added further that the offering of short-term bonds by the Corporation would require a restructuring of the debt of the Corporation held by the Clearing House Banks, the City Pension Funds and Sinking Funds. He stated that in any such restructuring, no savings would be used for any cost of living adjustments for City employees.

Mr. Rotatyn noted that the bonds of the Corporation had shown a marked recovery in market prices. In response to a question as to what the reaction of Moody's would be to such a new public offering, Mr. Gould replied that in spite of repeated calls to the President of Moody's, Jackson Phillips, Mr. Phillips refused to return any calls and that therefore there was currently no way to predict the reaction of Moody's.

Litigation Report

Mr. Thomas reported that the Flushing II case had been argued in the New York Court of Appeals on Tuesday, September 7, 1976. He reported that the Court did not appear hostile and the Judge Breitol had been helpful in responding to several questions asked by certain of the other judges. He reported that Judge Fuchsberg had apparently excused himself from the case. He stated that in response to questions raised by the Court in oral argument, counsel to the Corporation had
stated that a provision of the State Constitution might require impoundment of revenues by the City commencing at the end of five years following the initial issue date of notes subject to the moratorium in order to pay such notes. He stated that the State Attorney General had also taken this position, although the City Corporation Counsel had not. He added that were the Court to include a discussion of this constitutional provision in its decision, such a discussion would obviously have a great impact as to when the City might be required to pay the approximately $1 billion of City notes which are held by the public and subject to the moratorium.

There followed a discussion of the impact of various litigations upon the financing plans over the next several months. Mr. Rohatyn stated that the discussion of the constitutional provision referred to by Mr. Thomas would obviously have an impact on future public offerings or exchange offers by the Corporation.

It was reported that the investment bankers advising the State were hopeful that the Flushing II suit, as well as the Flushing I suit, would be decided prior to any further offers of bonds by the Corporation. In response to questions, Mr. Thomas stated that he believed that a decision could be expected from the Court of Appeals in Flushing II within four to six weeks. He added that although counsel to the Corporation was pursuing every possible route, there appeared to be no method by which the Flushing I suit could be argued and decided by the Court of Appeals within such time frame.
Mr. Thomas added that Judge Gagliardi had decided in favor of the Corporation the Ropico suit in the Federal District Court, which challenged the moratorium on the basis of Federal constitutional questions as well as federal bankruptcy legislation. He added that Judge Gagliardi’s opinion was a strong and well reasoned one which would be helpful in disposing of certain issues in the Flushing II litigation.

Mr. Goldmark stated that one hopeful sign with respect to future financings by the Corporation was the current marketing of Housing Finance Agency moral obligation bonds at interest rates varying from 5-1/2% through 7%. Mr. Kresky stated that this HFA financing represented the initial wedge in reopening the financial market to State agencies but that, because of the lawsuits referred to above, the Corporation still would encounter substantial difficulties.

Mr. Goldmark added that if insufficient funds were available to pay the notes issued by the State last November, the State Comptroller might begin impounding State revenues to pay such notes and that a school aid payment scheduled for November 15, 1976 might be impaired by such impoundment.

Adjournment

Being no further business at the meeting it was, by motion duly made, seconded and carried, adjourned.

[Signature]
Frederick R. Cummings, Jr. Acting Secretary of the Meeting