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 8:45 A.M. on Tuesday, November 30, 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
Thomas D. Flynn
George D. Gould
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
Nicholas L. Pitaro
Arthur J. Quinn
Robert W. Seavey
Sanford I. Weill

The following members of the Staff were present:

Eugene Kellin
Paul G. Giddings
Stephen J. Weinstein
Also present by invitation of the Board were: Simon H. Rifkind and Allen L. Thomas of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation; Melvin Hineman of Lazard Freres & Co., Financial Advisor to the Corporation; and James Brigham of the office of the Deputy Mayor for Finance of The City of New York.

Moratorium Litigation and Financing

Mr. Rohatyn reviewed discussions to date regarding fashioning a possible plan which would implement the recent ruling of the New York Court of Appeals in the Flushing National Bank case. He reported that both the New York Clearing House Banks and the City pension funds had offered resistance to additional investments. He suggested that it might be possible to sell bonds to those savings banks which had committed themselves to purchase a substantial portion of the recent issuance of the Series CC Bonds of the Corporation, but which were not called upon to honor their commitment because the entire series was sold publicly. Mr. Rohatyn further suggested that the possibility of placing tolls on the East River bridges and utilizing the resultant revenues to pay the public holders of City notes be explored.

Mr. Gould reported that representatives of the United States Department of the Treasury had agreed to cooperate to the fullest extent possible in fashioning a repayment plan for the City notes. He stated further that he had discussed the possible
creation of a private guarantee, but that the problems involved in creating such a guarantee appeared to be formidable.

Mr. Rifkind reported that the Court of Appeals, in ruling the Moratorium Act unconstitutional, was careful to use language which indicated that it would not require full immediate payment of the notes, a result that would force the City into bankruptcy. However, he observed that it was impossible to know precisely what remedy the Court did have in mind. Mr. Rifkind indicated that there were at least three possible courses of action for the City and the Corporation to adopt, depending on the prevailing financial situation. He stated that, first, if sufficient money were available to pay the moratorium notes in full, the case could be disposed of easily. He stated that, second, if a plan could be fashioned which would be acceptable to the plaintiffs, the lawsuit could be converted into a class action, and a plan in the nature of a settlement proceeding could be negotiated with the plaintiffs. Finally, he stated that, third, if there were insufficient cash and no agreed-on plan, the Corporation would request the Court of Appeals to remand the case to a lower trial court to consider a remedy, as if the case were an action for mandamus. With respect to this third possibility, he stated that there would be a trial in the lower court and the Corporation would request the court to approve a payment
plan that would not be unduly disruptice to the City. He indicated that, given the language of the opinion of the Court of Appeals, it is unlikely that the lower court would require full immediate payment. With respect to the schedule of future court actions, Mr. Rifkind indicated that so long as the plaintiffs and defendants continued negotiating in good faith, the Court of Appeals would not be likely to press the parties on a remedy for a reasonable period of time.

Mr. Rohatyn suggested the possibility of linking the Flushing I case, concerning alleged diversion to the Corporation of revenues previously payable to the City, to a payment plan for settling the Flushing II case. Mr. Rohatyn suggested that the Corporation could propose some way of paying the noteholders, such as a new underwriting of the Corporation's bonds, on the condition that the plaintiffs withdraw the Flushing I case.

The Board then briefly discussed Mr. Rohatyn's idea for raising revenues through the introduction of tolls on East River bridges and agreed that the staff should look into the matter. The Board further discussed the question of the payment of interest on City notes on the anniversary of the original maturity dates of such City notes.

Next Meeting

The next meeting of the Board of Directors was scheduled for Tuesday, December 7, 1976 at 8:45 A.M. at the offices of Paul, Weiss, Rifkind, Wharton & Garrison.
Adjournment

There being no further business before the meeting, it was by motion duly made, seconded and carried, adjourned at 9:45 A.M.

Stephen J. Weinstein
Secretary