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 9:00 A.M. on Tuesday, December 14, 1976 at the offices of Paul, Weiss, Rifkind, Wharton and Garrison, General Counsel to the Corporation, 345 Park Avenue, New York, New York.

The following Directors were present:

Francis J. Barry
George M. Brocker
Thomas D. Flynn
Robert C. Weaver

The following Representatives to the Board of Directors were present:

Zane Klein
Edward M. Kresky
Leonard Nadel
Arthur J. Quinn
Nicholas L. Pitaro
Robert W. Seavey
Sanford I. Weill

The following members of the Staff were present:

Eugene Keilin
Paul G. Giddings
Stephen J. Weinstein

Also present by invitation of the Board were: Allen L. Thomas and Robert L. Laufer of Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation.
Payment of City Notes in Moratorium

Mr. Keilin stated that Mr. Rohatyn, who could not be at this meeting, had asked him to update the developments with respect to and summarize the status of the proposals for repayment of the City notes affected by the recent ruling of the State Court of Appeals in the Flushing National Bank case ("Flushing II"). Mr. Keilin reported that it appeared possible to develop a plan to pay in cash and within a reasonable period, the full amount of the approximately $983 million in notes held by the public, provided that an agreement could be worked out with Mr. Richenthal, counsel for the plaintiff, and approved by the Court.

Mr. Keilin identified possible sources of such cash, which he summarized as follows: (1) a restructuring of the Corporation's debt held by New York Clearing House Banks and City pension funds, yielding cash savings of approximately $200 million in the current fiscal year; (2) cash savings by the City of approximately $200 million at the end of its current fiscal year; and (3) the balance of $600 million from a combination of private placements and public sales of new bonds of the Corporation. He reported that the characteristics of such bonds had not yet been put into final form, but that debt service on such bonds would be scheduled in a manner similar to that used in the restructuring of the institutionally-
held bonds which was agreed to in November, 1975. He stated that some thought had been given to the possibility of the issuance of short-term obligations to the Banks and pension funds, combined with a commitment by the Banks and pension funds to convert such obligations if the City fulfilled certain conditions with regard to its finances.

Mr. Keilin said that a plan should take into account possible levelling of the combined City and Corporation debt service over the coming years. One possibility which required further investigation, he indicated, would be to service the new debt out of the City real estate tax, if it could be done without raising that tax.

Mr. Kresky stated that consideration must also be given to equalizing real estate tax assessments in the City.

At this point, Mr. Giddings joined the meeting.

Mr. Brooker said that consideration must also be given to the growing gap between the taxes levied on real estate within the City and the taxes actually collected.

Mr. Keilin indicated that it was the Corporation's intention to propose a plan for discussion providing for payments to City noteholders consistent with the terms outlined to Mr. Richenthal, and at the same time to state that there was no present commitment by any of the parties to any of the particular elements of the proposal.
Messrs. Thomas and Laufer summarized the status of the Flushing II litigation, and the probable procedures and timetable with regard to fashioning a remedy agreeable to the plaintiffs and acceptable to the Court. They stated that, given the 30-day period which the Court provided to fashion a remittitur and the fact that the Court is out of session until January 7th, it was possible that the Court of Appeals would not issue any order in this matter until February, and that subsequent proceedings could last several months.

Adjournment

There being no further business before the meeting, it was, on motion duly made, seconded and carried, adjourned at 10:15 A.M.

[Signature]
Stephen J. Weinstein
Secretary