Municipal Assistance Corporation
For The City of New York

MEMORANDUM

Date: 16 October 1978
To: Felix Rohatyn
From: Marilyn F. Friedman
Re: Private Placement - Interest Formula

Attached for your review and comment is a copy of an interest-rate formula prepared by the financial institutions for use in connection with private placements for the 1980, 1981 and 1982 fiscal years.

The concept embodied in the draft is that the interest rate on the Corporation's bonds will be the higher of (a) the "market yield to maturity" for specified bonds of the Corporation over a 13-week period, calculated with reference to the Bond Buyer 20 Bond Index, and (b) the "market rate" for specified bonds of the Corporation that would prevail on the Bond Buyer index date during the week preceding a particular closing. For purposes of determining the 13-week market yield to maturity, the specified bonds of the Corporation are the 7 1/2's due 1992 and other series of the Corporation's Second Resolution bonds, if any, which meet the tests set forth in the draft. For purposes of determining the "market rate", the specified bonds of the Corporation are those Second Resolution bonds with a remaining average life to maturity, as of the relevant closing date, within three years of the bonds to be issued.

We would appreciate receiving your comments as soon as possible.
Municipal Assistance Corporation
For The City of New York

MEMORANDUM

Date: 16 October 1978
To: Jack Tamagni
From: Marilyn F. Friedman
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MEMORANDUM

Date: 16 October 1978
To: Dale Horowitz
From: Marilyn F. Friedman
Re: Private Placement - Interest Formula

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For The City of New York

MEMORANDUM

Date: 16 October 1978
To: Ed Kresky
From: Marilyn F. Friedmán
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MEMORANDUM

Date:  16 October 1978
To:    George Gould
From:  Marilyn F. Friedman
Re:    Private Placement - Interest Formula

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The concept embodied in the draft is that the interest rate on the Corporation's bonds will be the higher of (a) the "market yield to maturity" for specified bonds of the Corporation over a 13-week period, calculated with reference to the Bond Buyer 20 Bond Index, and (b) the "market rate" for specified bonds of the Corporation that would prevail on the Bond Buyer index date during the week preceding a particular closing. For purposes of determining the 13-week market yield to maturity, the specified bonds of the Corporation are the 7 1/2's due 1992 and other series of the Corporation's Second Resolution bonds, if any, which meet the tests set forth in the draft. For purposes of determining the "market rate", the specified bonds of the Corporation are those Second Resolution bonds with a remaining average life to maturity, as of the relevant closing date, within three years of the bonds to be issued.

We would appreciate receiving your comments as soon as possible.
Schedule III

Determination of Interest Rates for Closings After Fiscal Year 1979

The interest rate for Bonds purchased on a Closing Date after Fiscal Year 1979 (the "New Bonds") shall, except as provided below, be the rate equal to The Bond Buyer 20 Bond Index published during the week preceding the week in which the Closing Date occurs plus the average excess of (a) the Market Yield to Maturity on each of the trading days for which The Bond Buyer 20 Bond Index is published (the "BBI Dates") during the 13 weeks immediately preceding the week in which the Closing Date occurs over (b) The Bond Buyer 20 Bond Index on such BBI Dates. The rate so calculated shall be rounded to the nearest eighth of a percentage point. If the rate so determined is less than the Market Rate that would prevail on the BBI Date during the week preceding the week in which the Closing Date occurs, then the interest rate for the New Bonds shall be the Market Rate. In the event of any postponement of a scheduled date for the purchase of New Bonds, the interest rate for such Bonds shall be calculated in accordance with this Schedule as of the actual Closing Date.

Market Yield to Maturity

The Market Yields to Maturity shall be calculated by J. J. Kenney & Co. or other nationally recognized broker or dealer in municipal securities selected by the Committee (the "Calculator") as follows:

1. The Market Yield to Maturity on any BBI Date shall be the arithmetic average of (a) the adjusted yield to maturity based on market prices on such date for the Corporation's 7 1/2% bonds due 1992 (the "7 1/2% Bonds") and (b) the adjusted yield to maturity based on market prices on such date for the series, if any, of term bonds issued by the Corporation under the Second Bond Resolution (the "Other Bonds") (i) which would require a Basis Point Adjustment (as defined in 3 below) less than that required for the 7 1/2% Bonds, (ii) of which at least $100 million aggregate principal amount had been offered by the Corporation in the general public market for municipal securities and were outstanding on each such BBI Date and (iii) which are not redeemable at the option of the Corporation for at least seven years after the Closing Date. In case there shall be more than one such series of bonds, the "Other Bonds" shall be (A) the series which would require the least Basis Point Adjustment (whether positive or negative) or (B) if there is more than one such series, the series with a final maturity date that is closest to that of the New Bonds or (C) if there is more than one such series,
the series with the largest aggregate principal amount of bonds outstanding as of the Closing Date.

2. The market prices for 7½% Bonds or Other Bonds on any BBI Date shall be the average of the bid and asked prices for the 7½% Bonds or Other Bonds, as the case may be, determined by the Calculator on the basis of bid and asked prices quoted to such firm on such BBI Date by at least three recognized market makers in the 7½% Bonds or the Other Bonds, as the case may be, who are independent from the Corporation, the City and the Purchasers.

3. The adjusted yield to maturity referred to in 1 above for the 7½% Bonds or the Other Bonds shall be the yield to maturity for the 7½% Bonds or the Other Bonds, as the case may be, based on market prices determined as aforesaid adjusted by adding from such yield to maturity the number of basis points (the “Basis Point Adjustment”) equal to the number resulting from the following calculation:

\[
A_{\text{new}} = \text{Average life to maturity as of the Closing Date for the New Bonds} \\
A_{\text{old}} = \text{Average life to maturity as of BBI Date in question for the 7½% Bonds or Other Bonds, as the case may be} \\
M_{\text{new}} = \text{Year of final maturity of the New Bonds} \\
M_{\text{old}} = \text{Year of final maturity of the 7½% Bonds or Other Bonds, as the case may be} \\
\frac{3(A_{\text{new}} - A_{\text{old}}) + (M_{\text{new}} - M_{\text{old}})}{4} \times 5
\]

If the resulting number is a negative number, the yield to maturity for the 7½% Bonds or the other Bonds, as the case may be, on each BBI Date will be reduced by such number of basis points.

Assuming the average life to maturity and final maturity date for the New Bonds are 13 and 1999, respectively, and for the Other Bonds are 11 and 1993, respectively, the calculation would be as follows:

\[
\frac{3(13 - 11) + (1999 - 1993)}{4} \times 5 = 15
\]

Accordingly, in the above example the adjusted yield to maturity for the Other Bonds on any BBI Date would be equal to the yield to maturity on such date plus 15 basis points.
Market Rate

The Market Rate on the BBI Date during the week preceding the Closing Date shall be the coupon rate (rounded to the nearest eighth of a percentage point) that would prevail in a successful public distribution on such date at par of the aggregate principal amount of the New Bonds (assuming a customary underwriting spread) and shall be determined as follows:

1. On the BBI Date during the week before the week of the Closing Date the Calculator shall determine the yield to maturity for each series of bonds issued by the Corporation under the Second Bond Resolution with a remaining average life as of such BBI Date within five years of that of the New Bonds on the basis of the average of the bid and asked prices for each such series quoted to the Calculator on such BBI Date by at least three recognized market makers in such bonds who are independent from the Corporation, the City and the Purchasers. On the basis of such yield to maturity the Calculator shall determine the yield to maturity at which, in its best judgment, the New Bonds would have traded in the secondary market on the BBI Date during the week before the week of the Closing Date.

2. As soon as practicable on the day after the BBI Date referred to in 1 above, the Corporation shall cause the Calculator to deliver to the Corporation, the City, each of the Purchasers, the lead underwriter in the Corporation's most recent public offering of bonds issued under the Second Bond Resolution (the "Lead Underwriter") and the committee of three experts described below (the "Committee"), a report setting forth its determination of the Market Yields to Maturity for each of the prior 13 BBI Dates (including a description of all bid and asked prices and of its calculations) and its determination of the yield to maturity for the New Bonds described in 1 above (including a description of all bid and asked prices and of its calculation).

3. Before the close of business on the day after the BBI Date referred to in 1 above, the Lead Underwriter shall notify in writing the Corporation, the City, the Purchasers and the Committee its judgment as to what the coupon rate would have been for a successful public distribution on such BBI Date at par of the aggregate principal amount of the New Bonds (assuming a customary underwriting spread).

4. In the afternoon of the first business day after the Lead Underwriter give the notification referred to in 3 above, there shall be a meeting at which representatives of the Corporation, the City and the Purchasers may present
their views to the Committee, and ask questions of the Calculator and the Lead Underwriter, with respect to the determination of the Market Rate.

5. On or before the business day after the meeting referred to in 4 above, the Committee shall notify in writing the Corporation, the City and the Purchasers of its determination of the interest rate for the New Bonds in accordance with this Schedule. In the event of a disagreement within the Committee as to what the Market Rate should be, a majority vote shall prevail or, if there is no majority consensus, the Market Rate shall be equal to the arithmetic average of the rates which each expert on the Committee believes to be appropriate. The decision of the Committee in accordance with the foregoing shall be final and binding on all parties.

The Closing Date for the new Bonds shall be no earlier than the business day after the notification by the Committee of its determination of the interest rate for the New Bonds.

The Committee shall consist of three recognized experts in pricing municipal Bonds who are independent from the Corporation, the City and the Purchasers; one chosen by the Corporation, one chosen by the Purchasers and the third by the first two experts so chosen. The Purchasers have initially chosen, the Corporation has initially and the first two experts have to be the experts.

The Corporation shall pay the fees and expenses of the Calculator and the Committee.
August 16, 1978

Memorandum to: Messrs. Keilin
Ms. Friedman
Toia
Ms. Altman
Cobbs
Schwartz
Mundheim
Thomas
Biegel
Scott
Brawer
Bender
Robinson
Hopkins

Re: MAC Private Placement

Enclosed are copies of a revised draft Summary of Terms dated August 15, 1978 marked to show changes from the July 19, 1978 draft. Please arrange for any distribution within your group.

J. Loughlin Callahan