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THE WHITE HOUSE

WASHINGTON

ECONOMIC AND ENERGY MEETING

October 24, 1975

2:30 p. m.

MEMORANDUM OF DECISIONS

FROM: L. WILLIAM SEIDMAN *LWS*

Decision 1: Action to Prevent a New York City Default

The President decided that the Administration would not propose measures which would seek to prevent a New York City default through the obligation of Federal funds.

Decision 2: Amendment of the Federal Bankruptcy Act

The President approved the recommendation that the Administration propose amendment of the Federal Bankruptcy Act which would add a new chapter providing for the adjustment of the debts of major municipalities.

The proposed new chapter to the Federal Bankruptcy Act should include provisions which would:

- (a) Prevent all city funds from being tied up by lawsuits.
- (b) Enable an orderly plan to be developed for partial payment of creditors over the long term.
- (c) Enable some new borrowing secured on a priority basis by future tax revenues.
- (d) Condition the commendment of the filing of a bankruptcy proceeding on the city presenting a good faith plan that would not only provide for partial payment of creditors but would also establish the fiscal affairs of the city on a sound basis within a reasonable period of time. The court would have power to dismiss the petition if it determined during the course of the proceeding that the city was not in compliance with the plan.