By-Laws of the MAC for the City of New York

adopted April 7, 1978

As amended through September 28, 1995
BY-LAWS
OF
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Adopted April 7, 1978
As Amended
Through September 28, 1995

ARTICLE 1

THE CORPORATION

1.1 Name. The name of the Corporation shall be the "Municipal Assistance Corporation For The City of New York."

1.2 Purposes, Powers and Administration. The Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing by and under Article 10 of the Public Authorities Law of the State as may be amended from time to time (the "Act"). The purpose for which it is formed, the powers which it may exercise and its administration shall be as set forth in the Act.

1.3 Seal. The Seal of the Corporation shall be in the form of a circle and shall bear the name of the Corporation and the year of its creation.

1.4 Offices. The principal office of the Corporation shall be situated within the City of New York, at such location as the Board of Directors shall from time to time designate. Additional offices of the Corporation may be established by the Board of Directors, at such other places as it may from time to time designate.

1.5 Fiscal Year. The fiscal year of the Corporation shall terminate on the same date as that of The City of New York (the "City"), which is at present the last day of June in each year.
ARTICLE 2
DIRECTORS

2.1 Board of Directors. The Corporation shall be administered by a Board of Directors (the "Board of Directors"), which shall consist of such members serving such terms as specified in the Act.

2.2 Chairman. The Chairman of the Board of Directors (the "Chairman") shall be a Director of the Corporation designated Chairman by the Governor.

2.3 Powers and Duties. The Board of Directors shall have such powers and duties as specified in the Act.

2.4 Compensation. The Directors shall serve without salary or other compensation, but each Director shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties as a Director of the Corporation.

2.5 Payment of Expenses. Reimbursement of actual and necessary expenses provided for by Section 2.4 shall be paid only upon the timely submission to the Executive Director of a written statement setting forth the amount claimed and the basis therefor. Statements for amounts claimed as a result of duties performed during a fiscal year may be submitted prior to July 15 of the succeeding fiscal year, except that statements for duties performed subsequent to May 31 may be submitted at any time during the succeeding fiscal year.

ARTICLE 3
REPRESENTATIVES

There shall be five Representatives to the Board of Directors (the "Representatives"). Each Representative shall be entitled to receive notice of and to attend all meetings of the Board of Directors but shall not be entitled to vote at such meetings. The Speaker and the Minority Leader of the Assembly of the State, the President Pro Tem and the Minority Leader of the Senate of the State, and the Speaker of the City Council of the City (as successor to the office of Vice Chairman of the City Council) shall each be entitled to appoint a Representative to the Board of Directors. Each Representative shall serve at the pleasure of the respective appointing official or body, shall be eligible for reappointment, and shall hold office until his or her
successor has been appointed. Each Representative shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties as a Representative to the Board of Directors, which reimbursement shall be paid in accordance with the procedures set forth in Section 2.5 of Article 2 hereof.

ARTICLE 4
OFFICERS AND EMPLOYEES

4.1. Officers. The Officers of the Corporation shall be those specified in Sections 4.2 through 4.8 of this Article 4, and such other Officers, if any, as the Board of Directors may from time to time appoint (the "Officers"). Officers of the Corporation, other than the Chairman, need not be Directors. Officers shall have the powers and duties specifically conferred upon them in these By-Laws. All Officers of the Corporation, other than the Chairman, shall be appointed by the Board of Directors each year at the Corporation's Annual Meeting, and may be removed, either with or without cause, at any time, by the Board of Directors.

4.2. Chairman. The Chairman shall be the chief executive officer of the Corporation. The Chairman shall exercise general policy direction and review of the affairs of the Corporation and the performance of the Officers, shall preside at meetings of the Board of Directors at which he or she is present and shall have such other duties as the Board of Directors may direct or as may be specified by law.

4.3 Vice Chairman. The Vice Chairman shall assist the Chairman in the direction and review of the affairs of the Corporation. He or she shall perform such additional duties as the Chairman or the Board of Directors shall from time to time specify, and shall have the powers and duties of the Chairman whenever the Chairman is unable to act.

4.4. Executive Director. The Executive Director shall be the chief operating officer of the Corporation and shall have the duties and powers of general management and superintendence of the activities of the Corporation, under the direction of the Board of Directors. In all cases where, and to the extent that, the duties of the other Officers of the Corporation, other than the Chairman, are not specifically prescribed by the By-Laws, resolutions of the Corporation or by the Chairman, the Executive Director may prescribe such duties. In addition, he or she shall have all other powers and duties customarily incident to the office of chief operating officer.
4.5. **Deputy Executive Director.** One or more Deputy Executive Directors may be appointed by the Board of Directors, and shall have such powers and duties as the Executive Director shall delegate.

4.6. **Counsel.** The Counsel shall be the chief legal officer of the Corporation. He or she shall have all powers and duties customarily incident to the office of counsel, including the rendering of legal advice and opinions with respect to the Corporation's activities, and the approval for legal compliance of all documents of the Corporation.

4.7. **Treasurer.** The Treasurer shall be the chief financial officer of the Corporation, and shall have all powers and duties customarily incident to the office of chief financial officer, including the keeping of the books of account of the Corporation, the preparation of the periodic financial statements of the Corporation and the investment and management of the Corporation's funds. At all reasonable times, the Treasurer shall exhibit to any Officer or Director of the Corporation the books of account and any other records which he or she maintains or causes to be maintained. Whenever requested by the Board of Directors, the Treasurer shall present to it a statement of accounts.

4.8. **Secretary.** The Secretary shall act as secretary of all meetings of the Board of Directors at which he or she is present, and shall keep the minutes of all such meetings in books proper for that purpose. The Secretary shall have power to affix or cause to be affixed the seal of the Corporation to all contracts, certificates, documents, bonds, notes or other obligations and instruments to be executed on behalf of the Corporation and to attest to the same. He or she shall have charge of the books, records and papers of the Corporation relating to its organization and management as a corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed. In addition, the Secretary shall have all other powers and duties customarily incident to the office of secretary.

4.9. **Additional Personnel.** The Executive Director may from time to time employ such additional personnel for the Corporation as he or she may deem necessary or appropriate to exercise the powers, duties and functions of the Corporation as prescribed by law, either as employees of the Corporation or as consultants to the Corporation.

4.10. **Delegation.** The Corporation may delegate to one or more of its Directors, Officers, agents, or employees such powers and duties not otherwise delegated in these By-Laws or by law as it may deem proper.
4.11. Compensation. Compensation of the Executive Director shall be established by the Board of Directors, and compensation of all other Officers, other than the Chairman, and of additional personnel of the Corporation shall be established by the Executive Director.

ARTICLE 5

MEETINGS

5.1. Annual Meeting. The Annual Meeting of the Corporation shall be held on the final Thursday of September of each year at the principal place of business of the Corporation or at such other time and place as the Chairman may determine. At each Annual Meeting, the Board shall appoint the Officers of the Corporation, other than the Chairman, and shall review the financial statements for the fiscal year ending the preceding June 30. Notice to Directors and Representatives shall not be required for the Annual Meeting unless the Chairman determines that the place or time of the meeting shall be other than as specified herein, in which event notice of the place, date and time of the Annual Meeting shall be given in person or by telephone or in writing, which may be sent by facsimile transmission, to each Director and Representative at his or her address as it appears on the records of the Corporation, not less than two nor more than twenty days before such meeting.

5.2. Additional Meetings. Meetings may be held, at the principal office of the Corporation or elsewhere, upon the request of the Chairman or of any two Directors of the Corporation. At any meeting of the Corporation any business of the Corporation may be transacted.

5.3. Notice. Notice of each additional meeting, specifying the time and place thereof, shall be given prior to such meeting to each Director and Representative, either in person or by telephone or in writing, which may be by facsimile transmission, directed to his or her address as it appears on the records of the Corporation. Notice of any meeting required to be given to a Director hereunder shall be deemed to have been given if a waiver in writing is signed by the Director entitled thereto, before, during or after such meeting, or if such Director is present at such meeting. Notwithstanding the above, no action taken by the Board of Directors at any meeting shall be deemed invalid due to the failure to give notice as specified in this Article.
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5.4. Quorum. At all meetings of the Board of Directors, five Directors shall constitute a quorum for the purpose of transacting business. In the absence of a quorum, a majority of the Directors present may adjourn the meeting from time to time until a quorum is present. No notice need be given of any adjourned meeting to Directors present at the meeting at which adjournment is taken. Notice shall be given to Directors not present at such meeting in accordance with the notice provisions applicable to the meeting adjourned.

5.5. Voting. At any meeting of the Directors, each Director present, in person, shall be entitled to one vote. The Corporation may act by the affirmative vote of five Directors present at any meeting at which a quorum is in attendance.

5.6. Presence. Members of the Board of Directors, or members of any Committee appointed by the Board of Directors, may participate in a meeting of the Board of Directors or in a meeting of any such Committee by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting. Any required notice of the place of a meeting at which participation is by means of conference telephone or similar communication equipment shall be sufficient if it designates as the place of the meeting the place at which one or more of the participants in the meeting is located at the time the meeting is held.

ARTICLE 6

COMMITTEES

6.1. Finance Committee. The Board of Directors may appoint from among its members a Finance Committee to consist of three or more Directors, one of whom shall be the Chairman of the Board of Directors, and one of whom shall be designated by the Board of Directors as Chairman of the Finance Committee. The Board of Directors may also designate one or more of the Directors as alternates to serve as a member or members of the Finance Committee in the absence of a regular member or members. All members and alternates shall serve at the pleasure of the Board. Except as provided in Section 6.4 of this Article 6, the Finance Committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation.
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6.2. Additional Committees. The Board of Directors may appoint from among its members such other Committees as it may deem appropriate, with such powers and duties as shall be prescribed by the Board. All members and alternates appointed to such other Committees shall serve at the pleasure of the Board. The Board shall designate from among the members of any such other Committee a Committee Chairman.

6.3. Procedures. For the transaction of business of any Committee of the Board, a majority of the whole Committee shall constitute a quorum and may fix its rules of procedure. Meetings of any Committee shall be held at such times and places and on such notice, if any, as the Committee may from time to time determine. Meetings may be called by the Chairman of a Committee or by the Chairman of the Board. Except as otherwise specified in the notice thereof, or as required by law or by these By-Laws, any and all authorized business may be transacted at any meeting of a Committee. An attendance record and minutes shall be kept for any meeting of a Committee.

6.4. Limitations. No Committee shall have the power or authority of the Board in reference to (a) amending the By-Laws; (b) designating Committees; (c) filling vacancies among Committee members; (d) removing Officers; or (e) authorizing the issuance of any notes or bonds or other obligations by the Corporation, unless the power to authorize an issuance is specifically conferred upon the Committee by the Board of Directors. The Board of Directors may disband any Committee at any time.

ARTICLE 7

SIGNATURE AUTHORIZATION

The Board of Directors shall determine who shall be authorized to sign documents on behalf of the Corporation. Such authority may be general or confined to specific instances.
ARTICLE 8

INDEMNIFICATION

8.1. Indemnification. The Corporation shall indemnify any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, against any claim, demand, suit, judgment or other action or proceeding, civil or criminal, including an appeal therein, arising by reason of any act or omission to act, or allegation(s) thereof, by any such person in the discharge of his duties on behalf of the Corporation, including reasonable costs, counsel fees and expenses, and including amounts paid in settlement or in satisfaction of judgments or as fines or penalties, in connection with or resulting from any such claim, demand, suit, judgment or other action or proceeding, civil or criminal, whether or not such person continues to be such Director, Representative, Officer, Employee or Consultant at the time such costs, counsel fees or expenses shall have been paid or incurred, except in relation to matters as to which such person is finally adjudged to be liable for gross negligence or willful misconduct in the performance of his duties to the Corporation.

8.2. Representation by Counsel of Choice. In connection with any such claim, demand, suit, judgment or other action or proceeding, any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, shall be entitled to be represented by private counsel of his or her choice.

8.3. Advancement of Expenses. The Corporation may, in the discretion of the Board of Directors, advance expenses described in Section 8.1 prior to the final disposition of any such claim, demand, suit, judgment or other action or proceeding.

8.4. Article 8 Provisions are Additional to those Prescribed by Law. The provisions of this Article shall be in addition to and shall not supplant any indemnification or other benefits heretofore or hereafter conferred upon Directors, Representatives, Officers, Employees and Consultants of the Corporation by section seventeen of the Public Officers Law, section three thousand twenty of the Public Authorities Law or otherwise.
ARTICLE 9

BY-LAWS

9.1. Adoption. These By-Laws shall be effective as of April 7, 1978, as provided in the resolution of the Corporation adopting them, and shall supplant, as of that date, any previously adopted By-Laws of the Corporation.

9.2. Amendment. Notwithstanding the provisions of Section 5.5, these By-Laws may be amended by the affirmative vote of two-thirds of the Directors of the Corporation then in office or by the affirmative vote of five Directors, whichever number of affirmative votes is greater, provided that notice of intention to present such resolution shall be given at least five days prior to the meeting of the Board of Directors at which the motion to adopt such resolution is made. Such notice requirement may be waived by the affirmative vote of six Directors at the meeting at which a resolution amending the By-Laws is adopted.
Date: November 14, 1995
To: Distributees Listed Below
From: Bernard J. Kabak
Re: By-Laws

   I am sending you a copy of our By-Laws incorporating the amendments adopted by the Board at the September 28, 1995 Annual Meeting.

Distributees
Craig Beazer, Esq.
Andrew Bergman
Saul Finkelstein, Esq.
Robert Grose, Esq.
John Keohane, Esq.
James Kozera
Donald Robinson, Esq.
Pasquale Santivasci
Date: November 14, 1995
To: Directors and Representatives
From: Quentin B. Spector
Re: By-Laws

Attached is a copy of the Corporation's By-Laws incorporating the amendments adopted by the Board at the September 28, 1995 Annual Meeting.
Date: November 14, 1995
To: Staff
From: Bernard Kabak
Re: By-Laws

At the September 28, 1995 Annual Meeting, the Directors approved certain amendments to the Corporation's By-Laws. Attached is a copy of the By-Laws as so amended. These By-Laws should be included in your Internal Controls Guidelines (black loose-leaf binder) at Tab 11, and the superseded By-Laws now at that Tab should be removed.
Date: September 20, 1995

To: Directors

From: Quentin B. Spector

Re: Amending MAC's By-Laws

We are including on the agenda for the September 28, 1995 Annual Meeting a proposal to amend MAC's By-Laws. The By-Laws require that the Directors be given at least five days' notice of any proposal to amend the By-Laws, which requirement is the reason for this memorandum.

The need to prepare by-laws for the new Municipal Assistance Corporation for the City of Troy gave us occasion this summer to take a fresh look at New York City MAC's By-Laws (after which the Troy MAC by-laws were modeled). Out of that review came this proposal to amend our By-Laws, an action recommended by our staff Counsel as well as by our outside General Counsel and our Bond Counsel.

The amendments would each do one or more of the following:

- conform the By-Laws to the Act regarding the number of Directors required to vote in order for the Corporation to take an action (Attachment A shows the difference between the By-Laws and the Act)

- conform the By-Laws to the MAC Act in some other respect

- conform the By-Laws to our actual practice

- provide a rule for some circumstance not addressed in the By-Laws

- make an incidental, non-substantive change.

Attachment B is a mark-up of the By-Laws showing the proposed amendments. Attachment C shows how the By-Laws would read after the adoption of the proposed amendments.

If you have any questions about the proposed amendments, please give us a call.
How Many Directors Must Vote for the Board to Take Action?

The Statute: A majority of the whole number of authorized directors shall be required for the taking of any action or for the exercise of any power by the board of directors of a municipal assistance corporation (MAC Act, sec. 3011.6).

The By-Laws: The Corporation may act by vote of a majority of the Directors present at any meeting at which a quorum is in attendance (By-Laws, sec. 5.5).

Note: The By-Laws sometimes set a higher standard, e.g. the appointment of committees requires a vote of a majority of the Directors then in office (By-Laws, sec. 6.1 and 6.2). But this is still different from the statutory provision.
Date: September 18, 1995
To: Chairman Regan
From: Quentin B. Spector
Re: Amending MAC's By-Laws

I am asking for your OK to place on the agenda for our September 28 Annual Meeting certain proposed amendments to MAC's By-Laws. The amendments would each do one or more of the following:

- conform the By-Laws to the MAC Act regarding the number of Directors required to vote in order for the Corporation to take an action (Attachment A shows the difference between the By-Laws and the Act)
- conform the By-Laws to the MAC Act in other respects
- conform the By-Laws to our actual practice
- provide a rule for some circumstance not addressed in the By-Laws
- make an incidental, non-substantive change.

Attachment B is a mark-up of the By-Laws showing the proposed amendments. Bernie Kabak as well as Paul, Weiss and Orrick all recommend the adoption of these amendments.

Please note that if we are to put this matter on the agenda the By-Laws require that we give the Directors five-days' notice. With your concurrence, I'd propose to circulate the recommended changes to the Directors no later than Thursday.
MEMORANDUM

Date: September 18, 1995
To: Quentin B. Spector
From: Bernard J. Kabak
Re: Amending MAC's By-Laws

I have previously called your attention to an inconsistency between MAC's By-Laws and the MAC Act on the matter of the number of Directors required to vote affirmatively in order for the Corporation to take an action. Attachment A shows the difference between the By-Laws and the Act.

Attachment B is a mark-up of our By-Laws showing how they could be amended to conform them to the Act on this point. The mark-up also shows other proposed amendments. These amendments would each do one or more of the following:

- conform the By-Laws to the Act
- conform the By-Laws to our actual practice
- provide a rule for some circumstance not addressed in the By-Laws
- make an incidental, non-substantive change.

I circulated an earlier version of Attachment B to Paul, Weiss and Orrick. The current version reflects their comments, and they are in agreement with the proposed amendments.

I would like to suggest that you call this matter to the attention of Chairman Regan to the end that we might propose these amendments to the By-Laws for the Directors' approval at the Annual Meeting on September 28. Please note that, if we are to go forward with this matter, we will need to give five-days' notice to the Directors as required by section 9.2 of the By-Laws.

cc: Craig Beazer, Esq.
    James Dubin, Esq.
    Saul Finkelstein, Esq.
    John Keohane, Esq.
    Donald Robinson, Esq.
How Many Directors Must Vote for the Board to Take Action?

The Statute: A majority of the whole number of authorized directors shall be required for the taking of any action or for the exercise of any power by the board of directors of a municipal assistance corporation (MAC Act, sec. 3011.6).

The By-Laws: The Corporation may act by vote of a majority of the Directors present at any meeting at which a quorum is in attendance (By-Laws, sec. 5.5).

Note: The By-Laws sometimes set a higher standard, e.g. the appointment of committees requires a vote of a majority of the Directors then in office (By-Laws, sec. 6.1 and 6.2). But this is still different from the statutory provision.
Date: September 14, 1995

To: Distributees Listed Below

From: Bernard J. Kabak

Re: Amending MAC's By-Laws

I have previously called your attention to an inconsistency between MAC's By-Laws and the MAC Act on the matter of the number of Directors required to vote affirmatively in order for the Corporation to take an action. Attachment A shows the difference between the By-Laws and the Act.

Attachment B is a mark-up of our By-Laws showing how they could be amended to conform them to the Act on this point. The mark-up also shows other proposed amendments. These amendments would each do one or more of the following:

- conform the By-Laws to the Act
- conform the By-Laws to our actual practice
- provide a rule for some circumstance not addressed in the By-Laws
- make an incidental, non-substantive change.

I would like to suggest to Chairman Regan that we propose these amendments to the By-Laws for the Directors' approval at the Annual Meeting on September 28. I would first, however, like your comments on the proposed amendments.

So please let me have your thoughts. A prompt response would be appreciated so that, if we go forward with this matter, we will be able to give the five-days' notice to the Directors required by section 9.2 of the By-Laws.

If you have any questions, please give me a call (775-0010).

Distributees: Craig Beazer, Esq.
               James Dubin, Esq.
               Saul Finkelstein, Esq.
               John Keohane, Esq.
               Donald Robinson, Esq.
How Many Directors Must Vote for the Board to Take Action?

The Statute: A majority of the whole number of authorized directors shall be required for the taking of any action or for the exercise of any power by the board of directors of a municipal assistance corporation (MAC Act, sec. 3011.6).

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Note: The By-Laws sometimes set a higher standard, e.g. the appointment of committees requires a vote of a majority of the Directors then in office (By-Laws, sec. 6.1 and 6.2). But this is still different from the statutory provision.
Memorandum

TO: Saul Finkelstein
FROM: Peter R. Haje
DATE: April 18, 1994
RE: Your Memo of April 10, 1994

I don't have any recollection of why the MAC bylaws are different from the MAC Act regarding the number of directors required to take action.

I have a guess (and it is only a guess as I have no independent recollection) on the provision in the MAC Act. The Act was adopted at a time of great suspicion, at least among the investment community, of the City's commitment to financial reform, and thus the drafters and/or reviewers of the MAC Act probably felt it necessary to assure that so long as the State representatives stuck together they could not be outvoted at any meeting by the City representatives even if only a minority of the State representatives showed up.

P.R.H.

jd
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further that no director having such a financial interest or affiliation shall participate in any decision of the board of directors of the municipal assistance corporation authorizing or affecting such transaction.

4. A special law may provide for the appointment of one or more representatives to the board of directors. Such representative shall be entitled to receive notice of and to attend the meetings of the board of directors but shall not be entitled to vote. Such representative shall be entitled to reimbursement for his actual and necessary expenses incurred in the performance of his official duties as a representative to the corporation but shall not be entitled to a per diem allowance, unless specifically provided in the special law.

5. Notwithstanding any inconsistent provisions of law, general, special or local, no officer or employee of the state, or political division of the state, any governmental entity operating any public school or college or other public agency or instrumentality or unit of government which exercises governmental powers under the laws of the state, shall forfeit his office or employment by reason of his acceptance or appointment as a director, officer, employee or agent of a municipal assistance corporation nor shall service as such director, officer, employee or agent of a municipal assistance corporation be deemed incompatible or in conflict with such office or employment.

6. Except as otherwise provided by special law, a majority of the whole number of authorized directors shall constitute a quorum for the transaction of any business and shall be required for the taking of any action or for the exercise of any power by the board of directors of a municipal assistance corporation. No vote at such meeting shall be cast by proxy. A municipal assistance corporation may delegate to one or more of its directors, or officers, agents and employees, such powers and duties as the directors may deem proper.

7. A municipal assistance corporation may appoint such officers, employees and agents as it may require, prescribe their duties and fix their compensation.

Added L.1975, c. 168, § 1.

1 So in original. Probably should be “reimbursement”.

Historical Note
BY-LAWS
OF
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Adopted April 7, 1978
As Amended
Through October 1, 1992

ARTICLE 1

THE CORPORATION

1.1 Name. The name of the Corporation shall be the
"Municipal Assistance Corporation For The City of New York".

1.2 Purposes, Powers and Administration. The Municipal
Assistance Corporation For The City of New York (the
"Corporation") is a corporate governmental agency and
instrumentality of the State of New York (the "State")
constituting a public benefit corporation, created and
existing by and under Article 10 of the Public Authorities Law
of the State as may be amended from time to time (the "Act").
The purpose for which it is formed, the powers which it may
exercise and its administration shall be as set forth in the
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of a circle and shall bear the name of the Corporation and the
year of its creation.

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be situated within the City of New York, at such location as
the Board of Directors shall from time to time designate.
Additional offices of the Corporation may be established by
the Board of Directors, at such other places as it may from
time to time designate.

1.5 Fiscal Year. The fiscal year of the Corporation shall
terminate on the same date as that of The City of New York
(the "City"), which is a present the last day of June in each
year.
ARTICLE 2

DIRECTORS

2.1 Board of Directors. The Corporation shall be administered by a Board of Directors (the "Board of Directors"), which shall consist of such members serving such terms as specified in the Act.

2.2 Chairman. The Chairman of the Board of Directors (the "Chairman") shall be a Director of the Corporation designated Chairman by the Governor.

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entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties as a Representative to the Board of Directors, which reimbursement shall be paid in accordance with the procedures set forth in Section 2.5 of Article 2 hereof.

ARTICLE 4

OFFICERS AND EMPLOYEES

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4.2. Chairman. The Chairman shall be the chief executive officer of the Corporation. The Chairman shall exercise general policy direction and review of the affairs of the Corporation and the performance of the Officers, shall preside at meetings of the Board of Directors at which he or she is present and shall have such other duties as the Board of Directors may direct or as may be specified by law.

4.3 Vice Chairman. The Vice Chairman shall assist the Chairman in the direction and review of the affairs of the Corporation. He or she shall perform such additional duties as the Chairman or the Board of Directors shall from time to time specify, and shall have the powers and duties of the Chairman whenever the Chairman is unable to act.

4.4. Executive Director. The Executive Director shall be the chief operating officer of the Corporation and shall have the duties and powers of general management and superintendence of the activities of the Corporation, under the direction of the Board of Directors. In all cases where, and to the extent that, the duties of the other Officers of the Corporation, other than the Chairman, are not specifically prescribed by the By-Laws, resolutions of the Corporation or by the Chairman, the Executive Director may prescribe such duties. In addition, he or she shall have all other powers and duties customarily incident to the office of the Chief operating officer.
4.5. **Deputy Executive Director.** One or more Deputy Executive Directors may be appointed by the Board of Directors, and shall have such powers and duties as the Executive Director shall delegate.

4.6. **Counsel.** The Counsel shall be the chief legal officer of the Corporation. He or she shall have all powers and duties customarily incident to the office of counsel, including the rendering of legal advice and opinions with respect to the Corporation’s activities, and the approval for legal compliance of all documents of the Corporation.

4.7. **Treasurer.** The Treasurer shall be the chief financial officer of the Corporation, and shall have all powers and duties customarily incident to the office of chief financial officer, including the keeping of the books of account of the Corporation and the preparation of the periodic financial statements of the Corporation. At all reasonable times, the Treasurer shall exhibit to any Officer or Director of the Corporation the books of account and any other records which he or she maintains or causes to be maintained; whenever requested by the Board of Directors, the Treasurer shall present to it a statement of accounts.

4.8. **Secretary.** The Secretary shall act as Secretary of all meetings of the Board of Directors at which he or she is present, and shall keep the minutes of all such meetings in books proper for that purpose. The Secretary shall have power to affix or cause to be affixed the seal of the Corporation to all contracts, certificates, documents, bonds, notes or other obligations and instruments to be executed on behalf of the Corporation and to attest to the same. He or she shall have charge of the books, records and papers of the Corporation relating to its organization and management as a corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed. In addition, the Secretary shall have all other powers and duties customarily incident to the office of secretary.

4.9. **Additional Personnel.** The Executive Director may from time to time employ such additional personnel for the Corporation as he or she may deem necessary or appropriate to exercise the powers, duties and functions of the Corporation as prescribed by law, either as employees of the Corporation or as consultants to the Corporation.

4.10. **Compensation.** Compensation of the Executive Director shall be established by the Board of Directors, and compensation of all other Officers, other than the Chairman, and of additional personnel of the Corporation shall be established by the Executive Director.
ARTICLE 5

MEETINGS

5.1. Annual Meeting. The Annual Meeting of the Corporation shall be held on the final Thursday of September of each year at the principal place of business of the Corporation or at such other time and place as the Chairman may determine. At each Annual Meeting, the Board shall elect the Officers of the Corporation, and shall review the financial statements for the fiscal year ending the preceding June 30. Notice shall not be required for the Annual Meeting unless the Chairman determines that the place or time of the meeting shall be other than as specified herein, in which event notice of the place, date and hour of the Annual Meeting shall be given in person or by telephone to each Director and Representative at his or her address as it appears on the records of the Corporation, not less than two nor more than twenty days before such meeting.

5.2. Additional Meetings. Meetings may be held at the principal office of the Corporation or elsewhere, upon the request of the Chairman or of any two Directors of the Corporation. At any meeting of the Corporation, any business of the Corporation may be transacted.

5.3. Notice. Notice of each additional meeting, specifying the time and place thereof, shall be given prior to such meeting to each Director and Representative, either in person or by telephone call or writing directed to the usual place of business of each such person. Notice of any meeting required to be given to a Director hereunder shall be deemed to have been given if a waiver in writing is signed by the Director entitled thereto, before, during or after such meeting, or if such Director is present at such meeting. Notwithstanding the above, no action taken by the Board of Directors at any meeting shall be deemed invalid due to the failure to give notice as specified in this section.

5.4. Quorum. At all meetings of the Board of Directors, five Directors shall constitute a quorum for the purpose of transacting business. In the absence of a quorum, a majority of the Directors present may adjourn the meeting from time to time until a quorum is present. No notice need be given of any adjourned meeting to Directors present at the meeting at which adjournment is taken. Notice shall be given to Directors not present at such meeting in accordance with the notice provisions applicable to the meeting adjourned.

5.5. Voting. At any meeting of the Directors, each Director present, in person, shall be entitled to one vote. The Corporation may act by vote of a majority of the Directors
present at any meeting at which a quorum is in attendance.

5.6. Presence. Members of the Board of Directors, or members of any committee appointed by the Board of Directors, may participate in a meeting of the Board of Directors or in a meeting of any such committee by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting. Any required notice of the place of a meeting at which participation is by means of conference telephone or similar communication equipment shall be sufficient if it designates as the place of the meeting the place at which one or more of the participants in the meeting is located at the time the meeting is held.

5.7. Delegation. The Corporation may delegate to one or more of its Directors, Officers, agents, or employees such powers and duties not otherwise delegated in these By-Laws or by law as it may deem proper.

ARTICLE 6

COMMITTEES

6.1. Finance Committee. The Board of Directors may, by a majority of the Directors of the Corporation then in office, appoint from among its members a Finance Committee to consist of three or more Directors, one of whom shall be the Chairman of the Board of Directors, and one of whom shall be designated by the Board of Directors as Chairman of the Finance Committee. The Board of Directors may also designate one or more of the Directors as alternates to serve as a member or members of the Finance Committee in the absence of a regular member or members. All members and alternates shall serve at the pleasure of the Board. Except as provided in Section 6.4 of this Article 6, the Finance Committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation.

6.2. Additional Committees. The Board of Directors may, by a majority of the Directors of the Corporation then in office, appoint from among its members such other Committees as it may deem appropriate, with such powers and duties as shall be prescribed by the Board. All members and alternates appointed to such other Committees shall serve at the pleasure of the Board.

6.3. Procedures. For the transaction of business of any Committee of the Board, a majority of the whole Committee
shall constitute a quorum and may fix its rules of procedure. Meetings of any Committee shall be held at such times and places and on such notice, if any, as the Committee may from time to time determine. Meetings may be called by the Chairman of a Committee or by the Chairman of the Board. Except as otherwise specified in the notice thereof, or as required by law or by these By-Laws, any and all authorized business may be transacted at any meeting of a Committee. An attendance record and minutes shall be kept for any meeting of a Committee by its Chairman or any other member.

6.4. Limitations. No Committee shall have the power or authority of the Board in reference to (a) amending the By-Laws; (b) designating Committees; (c) filling vacancies among Committee members; (d) removing Officers; or (e) authorizing the issuance of any notes or bonds or other obligations by the Corporation, unless the power to authorize an issuance is specifically conferred upon the Committee by the Board of Directors. The Board of Directors, by a majority of the Directors of the Corporation then in office, may disband any Committee at any time.

ARTICLE 7

SIGNATURE AUTHORIZATION

The Board of Directors shall determine who shall be authorized to sign documents on behalf of the Corporation. Such authority may be general or confined to specific instances.
ARTICLE 8

INDEMNIFICATION

8.1. Indemnification. The Corporation shall indemnify any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, against any claim, demand, suit, judgment or other action or proceeding, civil or criminal, including an appeal therein, arising by reason of any act or omission to act, or allegation(s) thereof, by any such person in the discharge of his duties on behalf of the Corporation, including reasonable costs, counsel fees and expenses, and including amounts paid in settlement or in satisfaction of judgments or as fines or penalties, in connection with or resulting from any such claim, demand, suit, judgment or other action or proceeding, civil or criminal, whether or not such person continues to be such Director, Representative, Officer, Employee or Consultant at the time such costs, counsel fees or expenses shall have been paid or incurred, except in relation to matters as to which such person is finally adjudged to be liable for gross negligence or wilful misconduct in the performance of his duties to the Corporation.

8.2. Representation by Counsel of Choice. In connection with any such claim, demand, suit, judgment or other action or proceeding, any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, shall be entitled to be represented by private counsel of his or her choice.

8.3. Advancement of Expenses. The Corporation may, in the discretion of the Board of Directors, advance expenses described in Section 8.1 prior to the final disposition of any such claim, demand, suit, judgment or other action or proceeding.

8.4. Article 8 Provisions are Additional to those Prescribed by Law. The provisions of this article shall be in addition to and shall not supplant any indemnification or other benefits heretofore or hereafter conferred upon Directors, Representatives, Officers, Employees and Consultants of the Corporation by section seventeen of the Public Officers Law, section three thousand twenty of the Public Authorities Law or otherwise.
BY-LAWS
Page 9

ARTICLE 9

BY-LAWS

9.1. Adoption. These By-Laws shall be effective as of April 7, 1978, as provided in the resolution of the Corporation adopting them, and shall supplant, as of that date, any previously adopted By-Laws of the Corporation.

9.2. Amendment. These By-Laws may be amended by the affirmative vote of two-thirds of the Directors of the Corporation then in office, provided that notice of intention to present such resolution shall be given at least five days prior to the meeting of the Board of Directors at which the motion to adopt such resolution is made.
BY-LAWS

OF

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Adopted April 7, 1978
As Amended
Through June 3, 1982

ARTICLE 1

THE CORPORATION

1.1. Name. The name of the Corporation shall be the "Municipal Assistance Corporation For The City of New York".

1.2. Purposes, Powers and Administration. The Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing by and under Article 10 of the Public Authorities Law of the State as may be amended from time to time (the "Act"). The purpose for which it is formed, the powers which it may exercise and its administration shall be as set forth in the Act.

1.3. Seal. The Seal of the Corporation shall be in the form of a circle and shall bear the name of the Corporation and the year of its creation.

1.4. Offices. The principal office of the Corporation shall be situated within the City of New York, at such location as the Board of Directors shall from time to time designate. Additional offices of the Corporation may be established by the Board of Directors, at such other places as it may from time to time designate.

1.5. Fiscal Year. The fiscal year of the Corporation shall terminate on the same date as that of The City of New York (the "City"), which is at present the last day of June in each year.
ARTICLE 2

DIRECTORS

2.1. Board of Directors. The Corporation shall be administered by a Board of Directors (the "Board of Directors"), which shall consist of such members serving such terms as specified in the Act.

2.2. Chairman. The Chairman of the Board of Directors (the "Chairman") shall be a Director of the Corporation designated Chairman by the Governor.

2.3. Powers and Duties. The Board of Directors shall have such powers and duties as specified in the Act.

2.4. Compensation. The Directors shall serve without salary, but each Director shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties as a Director of the Corporation and a per diem allowance of One Hundred Dollars ($100) when rendering services as a Director, provided that the aggregate of such per diem allowance to any one Director in any one fiscal year of the Corporation shall not exceed the sum of Five Thousand Dollars ($5,000).

2.5. Payment of Compensation. The compensation provided for by Section 2.4 shall be paid only upon the timely submission to the Executive Director of a written statement setting forth the amount claimed and the basis therefor. Statements for amounts claimed as a result of duties performed during a fiscal year may be submitted prior to July 15 of the succeeding fiscal year, except that statements for duties performed subsequent to May 31 may be submitted at any time during the succeeding fiscal year.

ARTICLE 3

REPRESENTATIVES

There shall be six Representatives to the Board of Directors (the "Representatives"). Each Representative
shall be entitled to receive notice of and to attend all meetings of the Board of Directors but shall not be entitled to vote at such meetings. The Speaker and the Minority Leader of the Assembly of the State, the President Pro Temp and the Minority Leader of the Senate of the State, the Board of Estimate of the City acting by majority vote, and the Vice-Chairman of the City Council of the City shall each be entitled to appoint a Representative to the Board of Directors. Each Representative shall serve at the pleasure of the respective appointing official or body, shall be eligible for reappointment, and shall hold office until his or her successor has been appointed. Each Representative shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties as a Representative to the Board of Directors, which reimbursement shall be paid in accordance with the procedures set forth in Section 2.5 of Article 2 hereof.

ARTICLE 4
OFFICERS AND EMPLOYEES

4.1. Officers. The Officers of the Corporation shall be those specified in Sections 4.2 through 4.8 of this Article 4, and such other Officers, if any, as the Board of Directors may from time to time appoint (the "Officers"). Officers of the Corporation, other than the Chairman, need not be Directors. Officers shall have the powers and duties specifically conferred upon them in these By-Laws. All Officers of the Corporation, other than the Chairman, shall be appointed by and shall hold office at the pleasure of the Board of Directors for terms of one year, and may be removed, either with or without cause, at any time, by the Board of Directors.

4.2. Chairman. The Chairman shall be the chief executive officer of the Corporation. The Chairman shall exercise general policy direction and review of the affairs of the Corporation and the performance of the Officers, shall preside at meetings of the Board of Directors at which he or she is present and shall have such other duties as the Board of Directors may direct or as may be specified by law.
4.3. **Vice Chairman.** The Vice Chairman shall assist the Chairman in the direction and review of the affairs of the Corporation. He or she shall perform such additional duties as the Chairman or the Board of Directors shall from time to time specify, and shall have the powers and duties of the Chairman whenever the Chairman is unable to act.

4.4. **Executive Director.** The Executive Director shall be the chief operating officer of the Corporation and shall have the duties and powers of general management and superintendence of the activities of the Corporation, under the direction of the Board of Directors. In all cases where, and to the extent that, the duties of the other Officers of the Corporation, other than the Chairman, are not specifically prescribed by the By-Laws, resolutions of the Corporation or by the Chairman, the Executive Director may prescribe such duties. In addition, he or she shall have all other powers and duties customarily incident to the office of the chief operating officer.

4.5. **Deputy Executive Director.** One or more Deputy Executive Directors may be appointed by the Board of Directors, and shall have such powers and duties as the Executive Director shall delegate.

4.6. **Counsel.** The Counsel shall be the chief legal officer of the Corporation. He or she shall have all powers and duties customarily incident to the office of counsel, including the rendering of legal advice and opinions with respect to the Corporation's activities, and the approval for legal compliance of all documents of the Corporation.

4.7. **Treasurer.** The Treasurer shall be the chief financial officer of the Corporation, and shall have all powers and duties customarily incident to the office of chief financial officer, including the keeping of the books of account of the Corporation and the preparation of the periodic financial statements of the Corporation. At all reasonable times, the Treasurer shall exhibit to any Officer or Director of the Corporation the books of account and any other records which he or she maintains or causes to be maintained; whenever requested by the Board of Directors, the Treasurer shall present to it a statement of accounts.
4.8. Secretary. The Secretary shall act as Secretary of all meetings of the Board of Directors at which he or she is present, and shall keep the minutes of all such meetings in books proper for that purpose. The Secretary shall have power to affix or cause to be affixed the seal of the Corporation to all contracts, certificates, documents, bonds, notes or other obligations and instruments to be executed on behalf of the Corporation and to attest to the same. He or she shall have charge of the books, records and papers of the Corporation relating to its organization and management as a corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed. In addition, the Secretary shall have all other powers and duties customarily incident to the office of secretary.

4.9. Additional Personnel. The Executive Director may from time to time employ such additional personnel for the Corporation as he or she may deem necessary or appropriate to exercise the powers, duties and functions of the Corporation as prescribed by law, either as employees of the Corporation or as consultants to the Corporation.

4.10. Compensation. Compensation of the Executive Director shall be established by the Board of Directors, and compensation of all other Officers, other than the Chairman, and of additional personnel of the Corporation shall be established by the Executive Director.

ARTICLE 5

MEETINGS

5.1. Annual Meeting. The Annual Meeting of the Corporation shall be held on the final Thursday of September of each year at the principal place of business of the Corporation or at such other time and place as the Chairman may determine. At each Annual Meeting, the Board shall elect the Officers of the Corporation, and shall review the financial statements for the fiscal year ending the preceding June 30. Notice shall not be required for the Annual Meeting unless the Chairman determines that the place or time of the meeting shall be other than as specified herein, in which event notice of the place, date
and hour of the Annual Meeting shall be given in person or by telephone to each Director and Representative at his or her address as it appears on the records of the Corporation, not less than two nor more than twenty days before such meeting.

5.2. Additional Meetings. Meetings may be held at the principal office of the Corporation or elsewhere, upon the request of the Chairman or of any two Directors of the Corporation. At any meeting of the Corporation, any business of the Corporation may be transacted.

5.3. Notice. Notice of each additional meeting, specifying the time and place thereof, shall be given prior to such meeting to each Director and Representative, either in person or by telephone call or writing directed to the usual place of business of each such person. Notice of any meeting required to be given to a Director hereunder shall be deemed to have been given if a waiver in writing is signed by the Director entitled thereto, before, during or after such meeting, or if such Director is present at such meeting. Notwithstanding the above, no action taken by the Board of Directors at any meeting shall be deemed invalid due to the failure to give notice as specified in this section.

5.4. Quorum. At all meetings of the Board of Directors, five Directors shall constitute a quorum for the purpose of transacting business. In the absence of a quorum, a majority of the Directors present may adjourn the meeting from time to time until a quorum is present. No notice need be given of any adjourned meeting to Directors present at the meeting at which adjournment is taken. Notice shall be given to Directors not present at such meeting in accordance with the notice provisions applicable to the meeting adjourned.

5.5. Voting. At any meeting of the Directors, each Director present, in person, shall be entitled to one vote. The Corporation may act by vote of a majority of the Directors present at any meeting at which a quorum is in attendance.

5.6. Presence. Members of the Board of Directors, or members of any committee appointed by the Board of Directors, may participate in a meeting of the Board of Directors or in a meeting of any such committee by means of conference telephone or similar communication equipment by
means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting. Any required notice of the place of a meeting at which participation is by means of conference telephone or similar communication equipment shall be sufficient if it designates as the place of the meeting the place at which one or more of the participants in the meeting is located at the time the meeting is held.

5.7. Delegation. The Corporation may delegate to one or more of its Directors, Officers, agents, or employees such powers and duties not otherwise delegated in these By-Laws or by law as it may deem proper.

ARTICLE 6

COMMITTEES

6.1. Finance Committee. The Board of Directors may, by a majority of the Directors of the Corporation then in office, appoint from among its members a Finance Committee to consist of three or more Directors, one of whom shall be the Chairman of the Board of Directors, and one of whom shall be designated by the Board of Directors as Chairman of the Finance Committee. The Board of Directors may also designate one or more of the Directors as alternates to serve as a member or members of the Finance Committee in the absence of a regular member or members. All members and alternates shall serve at the pleasure of the Board. Except as provided in Section 6.4 of this Article 6, the Finance Committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation.

6.2. Additional Committees. The Board of Directors may, by a majority of the Directors of the Corporation then in office, appoint from among its members such other Committees as it may deem appropriate, with such powers and duties as shall be prescribed by the Board. All members and alternates appointed to such other Committees shall serve at the pleasure of the Board.
6.3. Procedures. For the transaction of business of any Committee of the Board, a majority of the whole Committee shall constitute a quorum and may fix its rules of procedure. Meetings of any Committee shall be held at such times and places and on such notice, if any, as the Committee may from time to time determine. Meetings may be called by the Chairman of a Committee or by the Chairman of the Board. Except as otherwise specified in the notice thereof, or as required by law or by these By-Laws, any and all authorized business may be transacted at any meeting of a Committee. An attendance record and minutes shall be kept for any meeting of a Committee by its Chairman or any other member.

6.4. Limitations. No Committee shall have the power or authority of the Board in reference to (a) amending the By-Laws; (b) designating Committees; (c) filling vacancies among Committee members; (d) removing Officers; or (e) authorizing the issuance of any notes or bonds or other obligations by the Corporation, unless the power to authorize an issuance is specifically conferred upon the Committee by the Board of Directors. The Board of Directors, by a majority of the Directors of the Corporation then in office, may disband any Committee at any time.

ARTICLE 7

SIGNATURE AUTHORIZATION

The Board of Directors shall determine who shall be authorized to sign documents on behalf of the Corporation. Such authority may be general or confined to specific instances.
ARTICLE 8

INDEMNIFICATION

8.1. The Corporation shall indemnify any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, against any claim, demand, suit, judgment or other action or proceeding, civil or criminal, including an appeal therein, arising by reason of any act or omission to act, or allegation(s) thereof, by any such person in the discharge of his duties on behalf of the Corporation, including reasonable costs, counsel fees and expenses, and including amounts paid in settlement or in satisfaction of judgments or as fines or penalties, in connection with or resulting from any such claim, demand, suit, judgment or other action or proceeding, civil or criminal, whether or not such person continues to be such Director, Representative, Officer, Employee or Consultant at the time such costs, counsel fees or expenses shall have been paid or incurred, except in relation to matters as to which such person is finally adjudged to be liable for gross negligence or willful misconduct in the performance of his duties to the Corporation.

8.2. In connection with any such claim, demand, suit, judgment or other action or proceeding, any past or present Director, Representative, Officer, Employee or Consultant of the Corporation, or the legal or personal representative(s) of any such person, shall be entitled to be represented by private counsel of his or her choice.

8.3. The Corporation may, in the discretion of the Board of Directors, advance expenses described in Section 8.1 prior to the final disposition of any such claim, demand, suit, judgment or other action or proceeding.

8.4. The provisions of this article shall be in addition to and shall not supplant any indemnification or other benefits heretofore or hereafter conferred upon Directors, Representatives, Officers, Employees and Consultants of the Corporation by section seventeen of the Public Officers Law, section three thousand twenty of the Public Authorities Law or otherwise.
ARTICLE 9

BY-LAWS

9.1. Adoption. These By-Laws shall be effective as of April 7, 1978, as provided in the resolution of the Corporation adopting them, and shall supplant, as of that date, any previously adopted By-Laws of the Corporation.

9.2. Amendment. These By-Laws may be amended by the affirmative vote of two-thirds of the Directors of the Corporation then in office, provided that notice of intention to present such resolution shall be given at least five days prior to the meeting of the Board of Directors at which the motion to adopt such resolution is made.
MAC Financial Plan and Legislative Program

September 1, 1975
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

FINANCIAL PLAN AND LEGISLATIVE PROGRAM

September 1, 1975

ERRATA


2. p. 28 - in fourth line of page, change "4 billion" to "5 billion"

3. p. 62 - in caption and in second line of page, change "financial review board fund" to "financial control board fund"

4. p. 79 - in seventh line of page, change "four" to "five"
Municipal Assistance Corporation  
2 World Trade Center  
New York, New York

September 1, 1975

The Honorable Hugh L. Carey  
Governor of the State of New York  
Albany, New York

Dear Governor Carey:

We enclose for your consideration a Financial Plan and Legislative Program as a response to the emergency conditions of which we informed you by our letter of August 25, 1975.

We wish to point out that the Financial Plan included in the Program contemplates commitments of funds by the State of New York and other investors aggregating a minimum of $2 billion. This is the amount required by the City of New York for operations and debt services for the period September 1 to November 30, 1975. As we have indicated previously, we have at this time no commitment for funds from any source. The Plan contemplates a commitment by the State of $750 million, conditioned on subsequent commitments being obtained to reach the aggregate figure of $2 billion. If such commitments are not obtained, the Plan is not to be put into effect.

A commitment by the State of $750 million, in the form suggested by the Plan, creates a significant level of risk should the Program to bring the City's fiscal affairs in order not be both successful, as well as perceived to be successful, in short order. The inability of the State, for constitutional reasons,
obtain financial commitments for the balance of the fiscal year ending June 30, 1976. Such commitments, combined with an agreed-upon baseline of the current deficit of the City, as well as a plan to bring that deficit to naught by the fiscal year 1977-78, together with State fiscal control, would result in a total program where both the financing and the control mechanisms would be adequate to meet the needs.

There are at present no sources of funds, other than Federal, of the magnitude required for such a program. Recognizing that the Federal government has so far steadfastly refused any support in a plan such as the one under consideration, we wish to respectfully point out that, absent assured funds to finance the program between December 1, 1975 and June 30, 1976, the risk to the State is of a high order.

The Charybdis of adopting the Financial Plan has to be weighed against the Scylla of default. The latter, in our judgment, involves the risk of devastating damage not only to the City and State, but to the entire nation. The assumption of risk by the State would therefore appear justifiable. On the other hand, the national impact of a default by the City and the clear federal responsibility for certain of the City's burdens, would seem clearly to warrant a measure of risk-sharing between State and Federal governments.

Sincerely,

William M. Ellinghaus
Chairman of the Board

By Felix G. Robinson
Chairman, Finance Committee
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

FINANCIAL PLAN AND LEGISLATIVE PROGRAM

September 1, 1975

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
ATTORNEYS AND COUNSELORS AT LAW
345 PARK AVENUE, NEW YORK, N.Y. 10022
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

FINANCIAL PLAN AND LEGISLATIVE PROGRAM

September 1, 1975
This memorandum was prepared at the direction of the Governor by the legal staffs of Municipal Assistance Corporation for the City of New York ("MAC") and the Governor's office and contains the Financial Plan and Legislative Program proposed by MAC in order to provide cash to The City of New York (the "City") during the period from September 1, 1975 through June 30, 1976 for use by the City in meeting its payroll and other operating expenses and in paying short-term obligations as they mature during such period.

This memorandum is in four parts:

A. Summary of cash deficits of the City.

B. Outline of Financial Plan.

C. Outline of Legislative Program.

D. Draft of proposed legislation.
A. Summary of City Cash Deficits*  
(Including repayments of maturing indebtedness)

<table>
<thead>
<tr>
<th>Balance of Fiscal Year</th>
<th>Cash Deficit (dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1975</td>
<td>$906</td>
</tr>
<tr>
<td>October</td>
<td>711</td>
</tr>
<tr>
<td>November</td>
<td>397</td>
</tr>
<tr>
<td>December</td>
<td>798</td>
</tr>
<tr>
<td>January 1976</td>
<td>1,364</td>
</tr>
<tr>
<td>February</td>
<td>638</td>
</tr>
<tr>
<td>March</td>
<td>863</td>
</tr>
<tr>
<td>April</td>
<td>207</td>
</tr>
<tr>
<td>May</td>
<td>112</td>
</tr>
<tr>
<td>June</td>
<td>(209) surplus</td>
</tr>
</tbody>
</table>

* Estimated as of August 22, 1975.
B. Outline of Financial Plan.

1. Assumptions. The assumptions on which the MAC's Financial Plan is based are as follows:

   (i) Based on current estimates, the City must receive, from sources outside its normally available sources, approximately $2,000,000,000 during the months of September, October and November 1975, approximately $800,000,000 during December 1975 and more than $3,000,000,000 for the balance of its fiscal year, exclusive of intra-year borrowing.

   (ii) MAC is unable to sell to the public or to Clearing House Banks a sufficient amount of its Bonds or Notes to provide to the City the funds necessary in order to avoid default by the City on its payroll, debt and other obligations becoming due during the balance of this fiscal year.

   (iii) The Legislative Program referred to elsewhere in this memorandum is necessary in order to facilitate the raising of any significant amount of additional funds.

   (iv) Each element of the Financial Plan is conditioned upon the availability to the City, pursuant to the Financial Plan, of at least $2,000,000,000 during the next three months and, unless otherwise agreed, no commitment with respect to any element of the Financial Plan will be binding unless and until firm commitments have been received with respect to not less than $2,000,000,000 for the three month period September through November 1975.
2. Sources of Cash. MAC, after consulting with various State and City officials, has identified the following potential sources of the required funds. No commitments have been received with respect to any of the following items.

(i) State of New York: $750,000,000. The State would sell publicly, through its normal underwriting syndicate, $750,000,000 principal amount of Tax Anticipation Notes ("TANS"), which would mature within one year as required by law. The proceeds of such TANS would be used as follows:

(a) $250,000,000 would be used to purchase notes of MAC maturing within one year. The MAC notes would be payable out of the MAC revenue stream, but their claim on that revenue stream would be subordinated to that of the "Bonds", "Notes" and "Other Obligations" under the MAC General Bond Resolution. Accordingly, they would not fall within the MAC coverage requirements. Based on historic Sales Tax collections, adequate money will be available, after other MAC debt service, to repay such notes on a timely basis: (Dollars in Thousands)

<table>
<thead>
<tr>
<th>Historic Collections</th>
<th>Less MAC Debt Service</th>
<th>Equals am't available for add'l notes (and subsequent payment to City)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept., Oct. $173,000</td>
<td>$40,757 (Oct. 12)</td>
<td>$133,243* (Oct. 15)</td>
</tr>
<tr>
<td>Nov., Dec., Jan. 201,000</td>
<td>40,757 (Jan. 12)</td>
<td>160,243 (Jan. 15)</td>
</tr>
<tr>
<td>Feb., March, Apr. 207,000</td>
<td>78,866 (Apr. 12)</td>
<td>129,134 (Apr. 15)</td>
</tr>
<tr>
<td>May, June 193,000</td>
<td>78,866 (June 30)</td>
<td>114,134 (June 30)</td>
</tr>
<tr>
<td>July, Aug., Sept., Oct. 186,000</td>
<td>78,866</td>
<td>77,666** (Oct. 12)</td>
</tr>
</tbody>
</table>

* Not to be diverted to pay MAC notes issued to State.

** Capital Reserve Fund.
Accordingly, the aggregate amount available (January 15, April 15 and June 30) is $403,511,000.

(b) $250,000,000 would be used to purchase long-term Bonds of MAC.

(c) $250,000,000 would be used to purchase Revenue Anticipation Notes ("RANS"), or TANS, of the City. The City's RANS or TANS would mature within one year and would be secured first by an agreed upon offset against the first state aid otherwise payable to the City after any default by the City on such RANS or TANS and second by the collateral assignment of all Mitchell Lama mortgages held by the City. (Such repayment would be subject to any prior lien for MAC debt service pursuant to the proposed increase in MAC revenue streams -- see page 11.)

(ii) City Sinking Funds: $180,000,000. It is proposed that approximately $180,000,000 of the sinking funds with respect to long-term City debt not now invested in short-term City obligations be liquidated in an orderly manner and that, pursuant to new State authorizing legislation, these funds be invested in long-term MAC Bonds.

(iii) Prepayment of Real Estate Taxes: $150,000,000. The City is currently undertaking, pursuant to the "Rudin Plan", collection of prepaid real estate taxes. It is anticipated that this program would produce approximately $150,000,000 for the City.

(iv) Bank Rollover: $156,000,000. New York Clearing House Banks have previously committed to purchase approximately
$50,000,000 of 3-year, 6% MAC Bonds on September 11, 1975, subject to the City not being in default at the time of such purchase. In addition, such banks have previously committed to purchase one-year, 7-1/2% City notes in an amount equal to the City notes held by them maturing between October 1, 1975 and June 30, 1976 (estimated at an aggregate $550,000,000). It is estimated that such "rollover" will equal $17,000,000 in October, $59,000,000 in November and $30,000,000 in December 1975. Each such rollover is conditioned upon the City not being in default at the time of such rollover.

(v) Bank Purchase: $250,000,000. Subject to the receipt of commitments yielding an aggregate of $2 billion, it is proposed that an aggregate of $250,000,000 of long-term MAC Bonds be sold, by underwritten offering or otherwise, to or through the commercial and investment banks that have previously underwritten MAC offerings.

(vi) State Insurance Fund: $100,000,000. It is proposed that up to $100,000,000 now held in the State Insurance Fund, be invested in long-term MAC Bonds.

(vii) City and State Pension Fund Purchases: $750,000,000. It is proposed that the Legislature mandate that the City and State Pension Funds purchase $750,000,000 in long-term MAC Bonds, to be divided among them as may be directed. In addition, it is proposed as part of the legislative package that
the Trustees of all such pension funds be exculpated from all fiduciary liability that might be alleged against them with respect to their purchases of MAC obligations. In addition, it is proposed that the City pension funds roll-over $30,000,000 of City notes held by them that mature in December.
3. Schedule of Cash Infusions. Based upon the proposed sources of cash outlined above, the following is a proposed financing plan, the elements and timing of which are subject to change:

(dollars in millions)

**September**
(City requirement: $906)

$ 250 City and State pension funds purchase of MAC Bonds
250 State purchase of short-term MAC notes
150 Prepayment of real estate taxes
100 Bank purchase or underwriting of MAC Bonds
80 City sinking fund purchases of MAC Bonds
50 Banks committed purchase of MAC Bonds
25 State insurance fund purchase of MAC Bonds

$ 905

**October**
(City requirement: $711)

$ 250 City and State pension funds purchase of MAC Bonds
250 State advance to City secured by Mitchell Lama mortgages
100 City sinking fund purchase of MAC Bonds
50 State insurance fund purchase of MAC Bonds
45 Bank purchase or underwriting of MAC Bonds
17 Bank roll-over of City notes

$ 712

**November**
(City requirement: $397)

$ 250 State purchase of long-term MAC Bonds
90 City and State pension funds purchase of MAC Bonds
59 Bank roll-over of City notes

$ 399

**December**
(City requirement: $798)

$ 160 City and State pension funds purchase of MAC Bonds
105 Bank purchase or underwriting of MAC Bonds
30 Bank roll-over of City notes
30 City pension funds roll-over of City notes
25 State insurance fund purchase of MAC Bonds

$ 350

$2,366
In order to meet estimated cash obligations for the balance of the City's fiscal year of approximately $3,500,000,000, the City must re-enter to capital markets in December or January to borrow for such cash needs.
4. **Increase of MAC Authorization and Revenues.** In order to permit MAC to fund the Financial Plan outlined above, and to have additional funding available for calendar year 1976 if such funding becomes necessary, an increase in MAC statutory $3,000,000,000 authorization and an additional source of revenues for payment of its debt service and capital reserve requirements will be necessary.

(i) **Current Authorization.** MAC is currently authorized to issue an aggregate of $3,000,000,000 in bonds and notes. It has already issued an aggregate of $1,840,000,000 in bonds. Accordingly, it has remaining authorization to issue $1,160,000,000 of bonds and notes. The Financing Plan outlined above calls for the issuance of an aggregate of $1,580,000,000 of additional long-term bonds and notes (under the present General Bond Resolution) and $450,000,000 of short-term notes (under a new note resolution). Accordingly, an increase in the authorized amount of bonds and notes issuable by MAC is necessary.

(ii) **Current Coverage Test.** Under its existing General Bond Resolution, MAC may not issue additional bonds or notes secured by its current revenue sources except in compliance with a two times coverage test for debt service with respect to historic sales tax, stock transfer tax and any other taxes dedicated thereto, and a 1.5 times coverage test for debt service with respect to sales taxes only. It is estimated that (assuming an average interest of 11% on additional bonds and notes to be issued) MAC may issue approximately an additional $300,000,000 principal amount of bonds and notes in
excess of its current $3,000,000,000 authorization, in compliance with its coverage tests. Accordingly, it is probable that MAC will need an additional revenue source in order to provide coverage for the bonds proposed to be issued pursuant to the financial plan.

(iii) Additional Revenue Sources. In order to permit MAC to issue bonds in addition to those at present authorized, it is proposed that the MAC authorization be increased from $3,000,000,000 to $5,000,000,000. In order to support such additional authorization it is proposed that the general per capita state aid payable to the City be dedicated to MAC through the creation of a new Municipal Assistance State Aid Fund and a Special Account therein applicable to MAC. Such dedication of per capita state aid would, however, be subject to the existing pledges thereof: $500,000 for the Police Pension Fund, amounts required by the City University Construction Fund and amounts required by the Housing Development Corporation. In order to quantify the amounts of the prior pledges for the City University Construction Fund and Housing Development Corporation, it is proposed that the amount of bonds issuable by such agencies be limited to the amount which, if issued, would require pledges of per capita state aid in an amount equal to not more than twice the maximum amount of the potential pledge under current programs. It is estimated that the maximum pledge of per capita state aid required by City University Construction Fund is now $40,000,000. Under the proposal, such amount would be increased to $80,000,000. It is estimated that the maximum pledge of per capita state aid
required by Housing Development Corporation is now $24,000,000. Under the proposal, such amount would be increased to $50,000,000. Accordingly, assuming aggregate per capita general state aid to the City at $450,000,000 a year, at least $320,000,000 of such per capita state aid would be available for debt service on MAC bonds issued with respect thereto. Any amounts of per capita state aid not needed for MAC debt service would be paid to the City.
C. Outline of Legislative Program.

1. Development of a Financial Plan

A comprehensive financial plan covering the entire period from July 1, 1975 through June 30, 1978 would be developed to demonstrate how the City would achieve the following objectives:

(a) For its fiscal year ending June 30, 1978, the City's budget would be balanced in accordance with the accounting system and procedures prescribed in the MAC legislation, with substantial progress toward that goal to be achieved in each of the fiscal years ending June 30, 1976 and 1977. In accordance with the MAC legislation, progress toward the elimination of expense items (as classified by the new accounting system) from the capital budget would also be required during this period. Short-term debt of the City would also be reduced during this period by not less than $800,000,000.

(b) In addition to the foregoing debt reduction, progress would be begun during this period in reducing the City's outstanding short-term debt, toward the goal of reducing such debt by a total of $2,800,000,000 (in addition
to the above $800,000,000) by the end of the fiscal year ending June 30, 1975.

The development of the financial plan would begin with the preparation by an Emergency Financial Control Board (described under Point 2 below) of monthly revenue estimates for the entire period from July 1, 1975 through June 30, 1978. The revenue estimates would include all sources of income of the City (including funds from projected borrowings, from the state and federal governments, from all operations and from all other sources). The EFCB's revenue estimates would be delivered to the City not later than September 30, 1975.

Based upon revenues as estimated by the EFCB, the City would then be responsible for preparing a financial plan in consultation with the EFCB, for adoption by the City by October 31, 1975. The EFCB would be required to disapprove the plan if it determined that (i) such plan would not achieve the objectives set forth in paragraphs (a) and (b) above, (ii) the City's debt service requirements and other mandated programs would not be satisfied thereby, or (iii) City operations would not be conducted within the cash resources available according to the EFCB's revenue
estimates. In disapproving a financial plan, the EFCB would be empowered (i) to direct the reduction of aggregate expenditures in any period to conform to its revenue estimates and (ii) to direct appropriate increases in expenditures or reserves to assure the availability of funds when and as required for debt service and mandated programs.

Except for debt service and other mandated items, decisions of what expenditures would be made for what purposes and at what times under the financial plan would be made by the City government, not by the EFCB, so long as the above financial limitations were observed. The power of elected City officials to determine the City's spending priorities and preferences would be preserved, within the funds available, and there is no wish or intention to supersede their authority in that area.

If, however, City officials should fail, within the specified time, to develop a financial plan meeting such cash and budgetary limitations and achieving the above objectives, the EFCB would be authorized to adopt the plan.

The financial plan and the powers of the EFCB with respect thereto would extend to all independent public corporations and agencies (such as the Health and Hospitals Corporation, the Board of Education and the Board of Higher Education) which receive their funding from the City, and would cover, separately, both capital and expense budget items for the City and for such agencies and corporations.
The final financial plan would contain such information in such detail as the EFCB may require, including a detailed statement of all estimated revenues and other sources of funds and of all permitted expenditures and monthly cash flow projections. The financial plan would include such information as the EFCT might require to demonstrate to its satisfaction that (i) projected employment levels, collective bargaining agreements and other action relating to employee costs, capital construction and such other matters as the EFCT may specify, are consistent with the provisions made for such obligations in the financial plan, (ii) the program steps to be taken with respect to mandated programs (such as welfare) and independent corporations and agencies (such as the Health and Hospitals Corporation) will limit expenditures to those provided in the financial plan, and (iii) adequate reserves will be maintained to guard against short-falls of revenue and over-runs of expenses.
After initial adoption, the financial plan would be regularly re-examined by the EFCB and the City. Changes in revenue estimates could be made only by the EFCB and, in the event of reductions, the City would be required to effect such reductions in total expenditures as necessary to conform to the revised revenue estimates.

If the City should fail to modify the financial plan after a revision of estimated revenues by the EFCB, the Board would be empowered to amend the plan.

The financial plan as from time to time modified, would, in addition to the restrictions expressed above, further limit the expense budget expenditures of the City and its independent corporations and agencies (except debt service requirements and pension costs) to the levels contained in the expense budget for the fiscal year ending June 30, 1976, subject, however, to (i) increases of up to 2% above the expense budget for the June 30, 1976 year (excluding debt service and pension costs therefrom) if necessary to meet unforeseen contingencies and if sufficient revenues are available as estimated by the EFCB and (ii) further increases if approved by the EFCB as required to meet the impact of substantial inflation after the effective date of this legislation.
The City would be given broader control over the expenditure plans of its independent corporations and agencies so as to fit them within the comprehensive financial plan.

2. **The Emergency Financial Control Board**

The EFCB would have five members — the Governor, the State Comptroller (pursuant to his Constitutional authority to supervise the accounts of any political subdivision of the State), the Mayor, the City Comptroller and an appointee of the Governor (with the advice and consent of the Senate). The Board would act by a majority and the Governor would be chairman. Each of such officials would be authorized to designate a representative to attend EFCB meetings in his place and to vote or otherwise act on his behalf.

The EFCB would be responsible for general review of City finances to assure that the fiscal emergency is brought under control and then terminated and that the State's extraordinary financial support to the City (described in a separate presentation) may be phased out. To carry out these responsibilities, the following powers would be given to the EFCB:

(a) As described under Point 1 above, the EFCB would determine estimated City revenues (including all sources of funds) for purposes of the financial plan, would consult in the preparation of the City's financial plan and would have the rights of approval described under Point 1.
(b) The EFCB would receive and have control of disbursements of City funds from the special accounts of the EFRB to be established as provided in Point 4.

(c) The EFCB would be empowered to direct the Special Deputy State Comptroller (i) to review the operations of such City departments and operations (including independent corporations and agencies) as it may determine, (ii) to audit compliance with the financial plan in such areas as it may determine, (iii) to examine the efficiency and productivity of City operations, (iv) to make reports thereon, (v) to recommend to the EFCB such measures relating to the operation and management of the City as he may deem expedient, and (vi) to keep EFCB fully advised of the financial condition of the City and of its future financial needs.

(d) The EFCB would have the right to receive, on such basis, at such times and in such detail, as it might from time to time specify directly or through the Special Deputy State Comptroller, all financial statements, projections and other budgetary data and material of the City (and its independent corporations and agencies) and the right to inspect, copy and audit all books and records of the City (and independent corporations and agencies).

(e) The EFCB would specify the types of City contracts and other obligations for the future payment of funds (including those of independent corporations and agencies) that must be reviewed and approved by the EFCB but only to assure
their economic feasibility within the financial plan, before the City (or its independent corporations and agencies) could enter into such contracts. It is contemplated that the EFCB would limit its review to major contracts, such as collective bargaining agreements affecting more than _______ employees or any other contract involving total liabilities exceeding $_______ over the life of such contract.

(f) Without limiting the obligations and limitations imposed by the MAC legislation, the prior approval of the EFCB would be required for all borrowing by the City or its independent corporations or agencies, whether short-term or long-term. The EFCB would consult and coordinate with MAC on these decisions and would receive reports from MAC on its review of City borrowings.

(g) The EFCB would be authorized to issue orders, binding on the City, necessary or appropriate to enable the EFRB to carry out its responsibilities under this legislation.

(h) The EFCB would coordinate with MAC and rely upon its staff and the staff of the State Comptroller (especially that of the Special Deputy State Comptroller) in performing its functions of analysis, review and monitoring of City income and expenditures. The development of a significant staff within the EFCB is not anticipated.

If the City should default on its obligations, the EFCB's control over City finances would be extended and the EFCB would have authority to prepare and adopt a rehabilitation plan for the City intended to permit as orderly a working-out of its financial difficulties as the circumstances would then permit.
3. **Special Deputy State Comptroller for New York City**

A new post of Special Deputy State Comptroller for New York City would be authorized. The State Comptroller would appoint such official and would have the right to replace him.

The Special Deputy State Comptroller would be empowered to perform all powers or duties granted by law to the State Comptroller, and he would assist the EFCB in performing its responsibilities under this legislation.

A supplemental appropriation will be requested to enable the Special Deputy State Comptroller to engage sufficient staff to conduct his review, audit and recommendation responsibilities on a timely basis.
4. Establishment of EFCB Accounts; Deposit of City Funds Therein.

(a) From and after __________, 1975, all City revenues would be deposited daily into special accounts of the EFCB (including any proceeds of City borrowings and all receipts from operations of independent corporations or agencies, but excluding any revenues otherwise required to be deposited by specific federal law or regulation or exempted by EFCB order). In order to respect the rights of holders of currently outstanding notes and bonds of independent authorities who have issued obligations to the public, the funds of such authorities, or other funds whose control or disposition is limited by bond resolutions, would not be transferred to the EFCB accounts.

As contemplated, these new special EFCB accounts would substantially correspond to the accounts now maintained by the City Finance Administration or the City Comptroller or the independent agencies or corporations. Deposits of funds into these EFCB accounts would be handled in substantially the same manner as funds are now deposited in the existing accounts of the City Finance Administration or the City Comptroller or the independent corporations or agencies and temporary investment of funds in the EFCB's special accounts would be handled by the staffs of such bodies.

(b) Funds would be disbursed from the EFCB's accounts only within such limits and for such purposes and by
such procedures as the EFCB would have prescribed in order to assure that such expenditures are, in the judgment of the EFCB, being made in accordance with the financial plan as then in effect. It is contemplated that the staffs of the City Finance Administration and the City Comptroller and of the independent corporations and agencies would handle the mechanics of disbursement.
of such funds from the EFCB accounts in substantially the same manner as at present, except that, before such disbursement, the approval of the EFCB would be required. The EFRB would be authorized to adopt such procedures as it from time to time deems necessary or desirable to assure that disbursement and application of funds conform to the financial plan.

(c) The State Comptroller would on a quarterly basis provide the EFCB with a statement of the City's debt service requirements for the following quarter and the EFCB would be responsible for reserving in special "Debt Service Repayment Account" of the EFCB sufficient funds to meet such requirements as they mature.

(d) If at any time the EFCB should determine that there were or would be insufficient funds in its accounts to pay all expenditures contemplated by the financial plan, such funds would be held and disbursed in such amounts as first to assure payment in full of all debt service obligations, next to such other purposes as might be entitled to priority over other liabilities pursuant to constitutional, statutory or binding contractual obligations, and the balance would be allocated for payment as specified by the City government for expenditures in accordance with the financial plan. In event of the failure of the City to specify, the EFCB could withhold payment of any of such other liabilities or could direct their payment pro rata.
(e) The Special Deputy State Comptroller would perform such pre-audit and post-audit reviews of disbursements from EFCB's special accounts as he might determine or as he might be directed by the EFCB or the State Comptroller.

5. **Specific Limitation on City Expenditures**

The following specific limitation on City expenditures would be enacted, to continue through the emergency period (or such other period as specifically provided below):

(a) All or any part of increases in salary or wages to City employees (including employees of independent corporations and agencies) which have taken effect since June 30, 1975 or which would take effect after that date pursuant to collective bargaining and other analogous contracts or requiring such salary increases as of July 1, 1975 or any subsequent date, shall be suspended. All or any part of increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments which have taken effect since June 30, 1975 or which would take effect after the date pursuant to collective bargaining agreements and other analogous contracts requiring such increased payments as of July 1, 1975 or any date thereafter shall, in the same manner, be suspended. For purposes of computing the pension base of retirement allowances, the suspended salary or wage increases
and the other suspended payments referred to above shall not be considered as part of compensation or final compensation or annual salary earned or earnable. The foregoing suspensions shall be effective for the first pay period ending on or after September 1, 1975 and shall continue for one year thereafter and, if found necessary by the EFCB, to achieve the objectives of the financial plan, may be continued further for all or part of the duration of this fiscal emergency.

(b) The foregoing provisions of paragraph (a) shall not be applicable to public employees covered by a collective bargaining agreement or a public employee not covered by a collective bargaining agreement where the collective bargaining representative or such unrepresented employee, by an instrument in writing, has agreed to a deferment of salary or wage increase which has been certified by the Mayor on or before , 1975, or certified by the EFCB after , 1975, as being an acceptable and appropriate contribution toward alleviating the City's fiscal crisis. The EFCB, if it finds that the fiscal emergency has been alleviated or for any other appropriate reason, may authorize by written order that the suspensions or deferments of salary or wage increases or of other increase payments shall, in whole or any specified part, be terminated.
6. Remedies for Violation of Provisions for Management of City Finances

City officials (including officials of independent corporations or agencies) violating the foregoing provisions for management of City finances would be subject to:

(a) A statute making it a criminal offense for any City official (i) to permit the expenditure of funds in excess of amounts authorized or for purposes other than those certified, or (ii) knowingly to present or cause to be presented to the EFCB or the Special Deputy State Comptroller or to MAC inaccurate financial information (including projections or estimates), or to fail to correct any such information upon learning that it was or has become inaccurate; and

(b) Removal from office by the Governor for failure to comply, or to require compliance by his subordinates, with the foregoing requirements relating to the management of City finances.

7. Increasing Availability of Funds to the City

Recognizing that in the current investment climate the City may not be able to market its own securities as soon as had been anticipated at the time of the original MAC legislation, the following proposals would be enacted:
a. State and city pension funds would be directed to invest designated amounts in MAC bonds.

b. **Increase and Extension of MAC Borrowing Authorization**

MAC's authority to issue obligations would be increased from $3 billion to $4 billion and the maximum maturity period for which MAC is authorized to issue securities would be extended from 15 to 20 years from the date of the original issue. It is recognized that, by reason of MAC's General Bond Resolution, an increase in MAC's revenue stream to support this increase in its borrowing capacity may be required before bonds could be issued by MAC in excess of $3 billion. General per capita State aid to the City (subject, however, to existing liens on such aid) would be directed to MAC, in substantially the same manner as the stock transfer tax fund is now directed, effective April 1, 1976.

c. **Authorization to Apply City Notes in Payment of City Securities**

As an added inducement to purchase City notes, holders of such notes issued after the effective date of the proposed legislation would be able at or after the maturity of such notes, to surrender such notes, with accrued interest thereon, for credit dollar-for-dollar, against any City taxes owed by such holder. (The sales taxes and stock transfer taxes now allocated as a revenue stream for MAC bonds are of course State taxes and would not be subject to such application of City notes.)
d. Broaden Authorized Use of MAC Bonds

To increase further the marketability of MAC obligations (a) section 98-a of the State Finance Law would be amended to enable banks to secure certificates of deposit with MAC bonds and (b) MAC bonds would be expressly authorized as investments for all state funds and state and city retirement systems.

8. Stay of Claims; Rehabilitation Plan for City; Authorization for Filing Federal Bankruptcy Petition

In view of the immediacy of the potential default and the range of actions that must be taken to meet this situation, legislation is also proposed to provide an orderly manner of dealing with claims if default should occur and to give the City and the EFCB time to develop, and to submit to a state court for approval, a plan for the rehabilitation of the City without the immediate pressure of numerous lawsuits. In event of default the City or the EFCB would also be authorized to file any appropriate petition under the federal bankruptcy laws.
D. Draft of Proposed Legislation.

STATE OF NEW YORK

S. A.

1975-1976 Special Session

SENATE-ASSEMBLY

September 4, 1975

IN SENATE - Introduced by COMMITTEE ON RULES - read twice and ordered printed, and when printed to be committed to the Committee on Rules

IN ASSEMBLY- Introduced by COMMITTEE ON RULES - read once and referred to the Committee on Ways and Means

AN ACT

to amend the unconsolidated laws, in relation to creating the New York State emergency financial control board; to amend the executive law, in relation to the appointment of a special deputy comptroller for the City of New York; to amend the local finance law, in relation to unpaid municipal debts; and to amend other laws, in relation to the financial emergency of the City of New York

The People of the State of New York, represented in Senate and Assembly, do enact as follows:
Section 1. Legislative Findings and Statement of Purposes.

It is hereby found and declared that a financial emergency exists in the city of New York. The city is unable to obtain the funds needed by the city to continue to provide essential services to its inhabitants or to meet its obligations to the holders of outstanding securities. Unless such funds are obtained the city will soon (i) fail to pay salaries and wages to employees and amounts owed vendors to the city, (ii) fail to pay amounts due to persons receiving assistance from the city and (iii) default on the interest and principal payments due the holders of outstanding obligations of the city.

If such failures and defaults were to occur, the effect on the city and its inhabitants would be devastating: (1) unpaid employees might refuse to work; (2) unpaid vendors might refuse to sell their goods to the city; (3) unpaid recipients of public assistance would be unable to provide themselves with the basic necessities of life; and (4) unpaid holders of city obligations would seek judicial enforcement of their legal rights as to city revenues. These events would effectively force the city to stop operating as a viable governmental entity and create a clear and present danger to the health, safety and welfare of its inhabitants.
The difficulties of finding solutions to such events would be compounded by the likelihood that the city, as well as the municipal assistance corporation for the city of New York, would be foreclosed from seeking funds in the public markets. The elimination of the public markets as a source of funds would leave the city with no foreseeable way to refund its outstanding short-term indebtedness. Thus, the city might be unable for an extended period to cure defaults on its outstanding obligations and that event could almost permanently destroy the fiber of the city. The status of the city as the financial capital of the nation and of the world and as the headquarters of American and international commerce would be severely shaken. Just as significantly, the exodus from the city of corporate and individual taxpayers would increase, thereby having the effect of imposing a greater burden on the remaining taxpayers.

It is a matter of substantial and imperative state concern that the city not fail to meet its obligations and thereby suffer the above consequences. Such a failure could require the state to provide costly financial assistance to the city to ameliorate the emergency conditions that would
result. Aside from the avoidance of that expense, it is the concern of the state that the above-described events not occur, because the city represents a major part of the state. In addition to being the state's largest city, the city is the commercial, financial, cultural, communications and transportation center of the state. If the city were unable, because of the lack of funds, to function in its normal manner, the economy of the state would, therefore, be drastically harmed.

A failure by the city to meet its obligations would also affect the state's own ability to raise funds in the public markets. Defaults by the city would adversely affect the ability of all public issuers to market securities to meet their cash requirements. To the extent the state and other public issuers would be able to market their securities at all, the interest rates would significantly exceed those which otherwise would be paid. This effect has already been clearly demonstrated since the urban development corporation defaulted on its obligations in January 1975. Notwithstanding that such default was soon cured as the result of state action, other public authorities, such as the housing development authority and the dormitory authority, have been unable to market their
securities or have been required to pay much higher interest rates than ever before and numerous municipalities, school districts and sewer districts throughout the state have been similarly affected.

This situation is a disaster and creates a state of emergency. To end this disaster, to bring the emergency under control and to respond to the overriding state concern described above, the state must undertake an extraordinary exercise of its police and emergency powers under the state constitution, and exercise controls and supervision over the financial affairs of the city of New York, but in a manner intended to preserve the ability of city officials to determine programs and expenditure priorities within available financial resources.

To forestall the effects on the city and the state of a failure by the city to meet its obligations, the state has developed, in coordination with the municipal assistance corporation for the city of New York and certain private financial institutions located in the city, a financial program designed to infuse the city with funds needed by it during the next several months. This financial program is only a short-term means of helping the city to meet its obligations during this emergency period. For longer range
success, the city must restore investor receptivity to the obligations of the city.

The program embodied in this act provides the necessary statutory changes to permit the financial assistance required by the city of this time, including the mandated investment of a portion of the funds of the state and city retirement systems in obligations of the municipal assistance corporation for the city of New York, and provides for (i) the creation of a state board with some city representation to review, control and supervise the financial management of the city, (ii) the adoption, with the approval of such board, of a financial plan that will provide the basis for a return of the city to sound financial condition, (iii) control by such board over the disbursement of city funds, under which debt service requirements will be met as a first priority, and (iv) review and audit of city operations by such board to assure that sound management practices are observed or restored and that operations are conducted in accordance with the financial plan. In addition, the program requires the purchase of an aggregate of $750,000,000 of the securities of the municipal assistance corporation for the city of New York by pension and retirement systems for public employees of the state of New York and of the city of New York. The purpose of this requirement is to provide the city with a certain source of revenues in the immediate future.
This legislative program is intended to accomplish the objectives described above and thereby to ensure the continuity of governmental operations in the city and to provide the means by which the present emergency can in time be overcome, the city restored to financial health and this intervention by the state brought to an end.

Furthermore, in view of the present danger that the city may fail to meet its obligations, it is equally imperative that steps be taken at this time, in advance of any such failure, to ameliorate to the extent possible the disastrous consequences of any such failure by the city (or by any other municipality) by providing a framework to lessen the impact on a municipality (and thereby to lessen the impact on the state itself) of a failure by such municipality to meet its obligations, to insure the continuity of governmental operations therein during the period of any default, and to provide the means by which such defaults may in time be overcome. To that end, the exercise of the police power of the state is appropriate to accomplish four additional objectives during the period that an emergency exists for a municipality: first, to provide a municipality with prior notice of the intention of any person to take action against it on a contractual obligation; second, to authorize the courts to issue a stay of any such actions while a municipality attempts to develop a financial plan to cure any defaults; third, to permit such a financial plan providing for the payment in
full of all obligations of a municipality to be submitted to, and approved by, a court of this state; and, fourth, to authorize a municipality of this state, or an emergency financial control board created for such municipality, if necessary, to seek the benefits of any federal statute now or hereafter enacted to provide relief to financially embarrassed municipalities.
Section 2. A new article is hereby added to the unconsolidated laws to read as follows:

Article __________

NEW YORK STATE FINANCIAL EMERGENCY ACT
FOR NEW YORK CITY

TITLE I

SHORT TITLE; LEGISLATIVE FINDINGS AND STATEMENT OF PURPOSES; DEFINITIONS; PROHIBITION ON BORROWINGS AND EXPENDITURES EXCEPT IN COMPLIANCE WITH THIS ACT; POWER OF CITY TO DETERMINE THE EXPENDITURE OF AVAILABLE FUNDS; NEW YORK STATE EMERGENCY FINANCIAL CONTROL BOARD; ADMINISTRATION OF BOARD; FUNCTIONS OF BOARD; DEVELOPMENT OF FINANCIAL PLAN; ESTABLISHMENT AND APPLICATION OF EMERGENCY FINANCIAL CONTROL BOARD FUND; PUBLIC EMPLOYEES' WAGE FREEZE; PROHIBITIONS; PENALTIES; TERMINATION

Section 1. Short title.

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Section 9. Establishment and application of emergency financial review board fund.

Section 10. Public Employees' Wage Freeze.

Section 11. Prohibitions; penalties.

Section 12. Termination.
§ 1. Short Title.

This title shall be known and may be cited as the "New York State Financial Emergency Act for New York City."
§ 2. Definitions.

As used in this title, the following words and terms shall have the following meanings unless the context shall indicate another or different meaning or intent.

1. "Comptroller" means the comptroller of the state of New York.
2. "City" means the city of New York.
3. "Mayor" means the mayor of the city of New York.
4. "City comptroller" means the comptroller of the city of New York.
5. "City Finance Administration" means the finance administration of the city of New York.
6. "Covered Organization" means any public agency, fund, organization, authority or public benefit corporation or institution which receives or may receive monies, directly or contingently, from or through the expense or capital budgets of the city of New York.
7. "Board" means the governmental agency created by section five of this title.
8. "Special deputy comptroller" means the special deputy comptroller for the city of New York created by section forty-one-a of the executive law.
9. "Municipal assistance corporation for the city of New York" means the corporate governmental agency created by section three thousand thirty-three of the public authorities law.

10. "Special accounts" means the special bank accounts of the emergency financial control board provided for under section nine of this title.

12. "Revenues" mean all taxes, federal and state aid, rents, fees, charges, payments and other income and receipts paid or payable to or for the account of the city or any of the covered organizations.

13. "Financial plan" means the financial plan of the city and the covered organizations to be developed pursuant to section eight of this title.

14. "Emergency period" means the period of time from the effective date of this act until the date when the board determines that the expense budget of the city shall have been in balance for at least one fiscal year in accordance with the accounting methods prescribed for such budget by the state comptroller pursuant to subdivision two of section three thousand thirty-eight of the public authorities law.

15. "Debt service repayment account" means the special account established pursuant to subdivision four of section nine of this title.

16. "Fund" means the emergency financial control board fund established pursuant to subdivision one of section nine of this title.

17. "Available funds" means at any date the amounts in the fund which are then available to be applied to the
purposes stated in clause (iii) of subdivision five of section nine after provision has been made for the application of amounts in the fund for the purposes stated in clauses (i) and (ii) of such subdivision five.
§ 3. Prohibition on borrowings and expenditures except in compliance with this act.

Neither the city nor any covered organization shall borrow or expend any monies, or in any way, directly or indirectly, expressly or implicitly, engage its credit during the emergency period except in compliance with the provisions of this title.
§ 4. Power of city to determine the expenditure of available funds.

Nothing contained in this title shall be construed to limit the power of the city to determine, from time to time, the purposes for which expenditures are to be provided, and the amounts of such expenditures, in the financial plan, within available funds.
§ 5. Creation of the New York State Emergency Financial Control Board.

There is hereby created the New York state emergency financial control board. The board shall be a governmental agency and instrumentality of the state and it shall have such powers and functions as are set forth in this title. The board shall continue for a term expiring six months after the end of the emergency period.
§ 6. Administration of the Board.

1. The membership of the board shall be the governor, the state comptroller (pursuant to his authority to supervise the accounts of any political subdivision of the state), the mayor, the city comptroller and a member appointed by the governor with the advice and consent of the senate. Such appointed member shall serve at the pleasure of the governor. The governor shall be the chairman of the board and the governor or his representative shall preside over all meetings of the board. The board shall act by majority vote of the entire board with each member having one vote. The board shall maintain a record of its proceedings in such form as it may determine, but such record shall reflect the members of the board attending each meeting and all votes taken by the board.

2. Each member of the board shall be entitled to designate a representative to attend, in his place, meetings of the board and to vote or otherwise act in his behalf. Written notice of such designation shall be furnished to the board by the designating member prior to any meeting attended by his representative. Any representative shall serve at the pleasure of the designating member.

3. Notwithstanding any inconsistent provisions of law, general, special or local, no officer or employee of the
state, or political division of the state, any governmental entity operating any public school or college or other public agency or instrumentality or unit of government which exercises governmental powers under the laws of the state, shall forfeit his office or employment by reason of his acceptance or appointment as a member, representative, officer, employee or agent of the board nor shall service as such member, representative, officer, employee or agent of the board be deemed incompatible or in conflict with such office or employment.

4. The board may delegate to one or more of its members, or their representatives, or officers, employees or agents, such powers and duties as the board may deem proper, except any duties inconsistent with the duties and functions prescribed by any other office or position any such person may hold.
§ 7. Functions of the Board.

1. In carrying out its responsibilities to review, control and supervise the fiscal, budgetary and borrowing practices of the city and the covered organizations the board shall perform the following functions:

   a. As set forth in section eight, the board shall (i) determine, in connection with the development of the financial plan, estimated revenues for the city and the covered organizations, (ii) consult with the city and the covered organizations in the preparation of the financial plan, (iii) prescribe the form of the financial plan and the supporting information required in connection therewith, and (iv) exercise the rights of approval, disapproval and modification with respect to the financial plan, as set forth in such section eight.

   b. As set forth in section nine, the board shall establish and adopt procedures with respect to the deposit of revenues of the city and the covered organizations in the fund and the disbursement of monies from the fund.

   c. The board shall, from time to time and to the extent it deems necessary in order to accomplish the purposes of this title, direct the special deputy comptroller to (i) review the operations, management, efficiency and productivity of such departments, bureaus, commissions and agencies
of the city and the covered organizations as the board may determine, and make reports thereon to the board; (ii) audit compliance with the financial plan in such areas as the board may determine; (iii) recommend to the board such measures relating to the operations, management, efficiency and productivity of such departments, bureaus, commissions and agencies of the city and the covered organizations as the special deputy comptroller deems appropriate to accomplish the purposes of this title; and (iv) provide such information to the board as will keep it fully advised of the financial condition and needs of the city and the covered organizations.

d. (i) The board shall receive from the city and the covered organizations and from the special deputy comptroller, and shall review such financial statements and projections, budgetary data and information, and management reports and materials as the board deems necessary to accomplish the purposes of this title.

(ii) The board shall inspect, copy and audit such books and records of the city and the covered organizations as the board deems necessary to accomplish the purposes of this title.

e. With respect to all contracts or other obligations to be entered into by the city or any covered organization after ______________, 1975 requiring the
payment of funds by the city or any covered organization:

(i) The board shall issue regulations prescribing the categories of contracts and other obligations required to be reviewed by the board, prior to their execution by the city or the covered organization, for compliance with the financial plan. Such categories shall be determined in the discretion of the board.

(ii) Prior to entering into any contract or other obligation subject to review of the board under its regulations, the city or the covered organization shall submit a copy of such contract or other obligation to the board accompanied by an analysis of the projected costs of such contract or other obligation and a certification that performance thereof will be in accordance with the financial plan, all in such form and with such additional information as the board may prescribe. The board shall promptly review the terms of such contract or other obligation and the supporting information in order to determine compliance with the financial plan.

(iii) The board shall, by order, disapprove any contract or other obligation reviewed by it only upon a determination that, in its judgment, the performance of such contract or other obligation would be inconsistent with the financial plan and the city or covered organization
shall not enter into such contract or other obligation. 

(iv) If the board approves the terms of a reviewed contract or other obligation, the city or covered organization may enter into such contract or other obligation upon the terms submitted to the board. Failure of the board to notify the city or covered organization within thirty days after submission to it of a contract or other obligation that such contract or other obligation has been disapproved shall be deemed to constitute board approval thereof, unless the board shall have notified the city or covered organization that it requires additional time, not exceeding thirty additional days, to complete its review and analysis.

f. The board shall review the terms of all proposed long-term and short-term borrowings by the city and any covered organization to be effected during the emergency period but after __________, 1975 and no such borrowing shall be made unless approved by the board. The board shall consult and coordinate with the municipal assistance corporation for the city of New York with respect to borrowings of the city and any covered organization and shall receive reports from the municipal assistance corporation for the city of New York on its review of borrowings by the city.
g. The board shall receive quarterly reports from the comptroller setting forth the debt service requirements on all bonds and notes of the city and the covered organizations for the following quarter.

h. The board shall issue, to the appropriate officials of the city and the covered organizations, such orders as it deems necessary to accomplish the purposes of this title. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties described in section twelve of this title.

i. The board shall coordinate with the municipal assistance corporation for the city of New York and the special deputy comptroller with respect to the performance of its review and monitoring of the revenues and expenditures of the city and the covered organizations.

2. Following any default by the city on its outstanding bonds or notes, and so long as such default has not been cured, the board, in addition, may take any action that it is authorized to take pursuant to title 6-A of article II of the local finance law, and may direct the city to take any action that the city is authorized to take under that law.

1. Pursuant to the procedures contained in subdivision two of this section, the board, in conjunction with the city, shall develop, and may from time to time amend, a financial plan for the city and the covered organizations with respect to the fiscal years of the city ending June thirtieth, nineteen hundred seventy-six, June thirtieth, nineteen hundred seventy-seven and June thirtieth, nineteen hundred seventy-eight.

The financial plan shall conform to the requirements of subdivision three of this section and shall constitute a program by which the city will achieve the following objectives:

a. For its fiscal year ending June thirtieth, nineteen hundred seventy-eight, the city's expense budget will be balanced in accordance with the accounting system and procedures prescribed in subdivision two of section three thousand thirty-eight of the public authorities law, with substantial progress toward that goal to be achieved in each of the fiscal years ending June thirtieth, nineteen hundred seventy-six and June thirtieth, nineteen hundred seventy-seven. In accordance with subdivision five of section three thousand thirty-eight of the public authorities law, progress toward the elimination of expense items from the capital budget will
also be required during the period during which the financial plan is in effect. Outstanding short-term obligations of the city will also be reduced during this period by not less than eight hundred million dollars from the amount outstanding on __________, 1975.

b. In addition to the foregoing debt reduction, progress will be begun during the period during which the plan is in effect in reducing the city's outstanding short-term obligations, toward the goal of reducing such debt by a total of two billion, eight hundred million dollars (in addition to the eight hundred million dollars referred to in paragraph (a) of this subdivision) by the end of the fiscal year ending June thirtieth, nineteen hundred eighty-five.

2. The financial plan shall be developed and adopted, and may from time to time be modified, in accordance with the following procedures:

   a. Not later than September thirtieth, nineteen hundred seventy-five, the board shall develop and deliver to the city estimates of revenues of the city and the covered organizations for each month of each fiscal year during which the plan is in effect.

   b. Based upon the revenues estimated by the board pursuant to paragraph (a) of this subdivision, the city shall
prepare the financial plan. If the board shall, in its judgment, determine that such financial plan would achieve the objectives set forth in subdivision one of this section, the board shall approve the financial plan, which shall then take effect.

c. The board shall disapprove the financial plan proposed by the city if, in the judgment of the board, such plan

(i) fails to provide for the payment in full of the debt service requirements on all bonds and notes of the city and the covered organizations or fails to fund adequately programs of the city and the covered organizations mandated by state or federal law;

(ii) fails to provide that operations of the city and the covered organizations will be conducted within the cash resources available according to the board's revenue estimates;

(iii) fails to achieve the objectives set forth in subdivision one of this section; or

(iv) in addition to the foregoing limitations, provides for aggregate expenditures (other than amounts required to pay debt service and pension costs) in the expense budget of the city or in the expense budget of any covered organization for any of the years during which the plan is
in effect, above the level contained in the expense budget originally adopted by the city or by such covered organization for the fiscal year ended June thirtieth, nineteen hundred seventy-six. The board may, upon the request of the city, allow (a) an increase to meet unforeseen contingencies (which increase shall not be cumulative) in the expense budget of the city or of a covered organization for any fiscal year during the emergency period equal to two percent of the expense budget originally adopted by the city or by such covered organization for the fiscal year ending June thirtieth, nineteen hundred seventy-six, or (b) such further increases as the board may approve as required to meet the impact of substantial inflation after the effective date of this act, but in either such case only if the board determines that increased revenues are available in an amount equal to the requested increase in expenditures.

d. In disapproving the financial plan proposed by the city the board may direct that

(i) expenditures or reserves to assure availability of amounts required for debt service requirements on all bonds and notes of the city and the covered organizations, or expenditures required for adequate funding of programs of the city and the covered organizations mandated by state or federal law, be increased to the levels required to provide
for their payment in full; or

(ii) the aggregate expenditures in any period
be reduced to conform to the revenue estimates of the board
prepared pursuant to paragraph (a) of this subdivision or to
achieve the objectives set forth in subdivision one of this
section.

e. In the event that the city shall, for any rea-
son, fail to adopt a financial plan approved by the board by
October thirty-first, nineteen hundred and seventy-five, the
board may formulate and adopt the financial plan, such finan-
cial plan to become effective on its adoption.

f. After the initial adoption of the financial
plan, the revenue estimates prepared by the board pursuant to
paragraph (a) of this subdivision and the financial plan shall
be regularly re-examined by the board in consultation with the
city and the covered organizations. Changes in such revenue
estimates shall be made only by the board. In the event of
reductions in such revenue estimates, the city shall modify
the financial plan to effect such reductions in total expend-
ditures as may be necessary to conform to such revised reve-
 nue estimates and if the city fails to make such modifications,
the board may formulate and adopt such modifications, such
modifications to become effective on their adoption.

g. The city may, from time to time, modify the
expenditures specified in the financial plan, subject to the approval of the board. The board shall approve such modifications unless, in the judgment of the board, such modifications would constitute grounds for disapproval of the financial plan pursuant to paragraph (c) of this subdivision.

3. The financial plan shall be in such form and shall contain such information for each year during which the financial plan is in effect as the board may specify, shall include the city and all the covered organizations, and shall, in such detail as the board may from time to time prescribe, include statements of all estimated revenues and of all expenditures and cash flow projections of the city and each of the covered organizations.

4. The financial plan shall, except to the extent waived by the board with respect to any limited period, include any information which the board may request to satisfy itself that (i) projected employment levels, collective bargaining agreements and other action relating to employee costs, capital construction and such other matters as the board may specify, are consistent with the provisions made for such obligations in the financial plan, (ii) the city and the covered organizations are taking whatever action is necessary with respect to programs mandated by state and federal law to ensure that expenditures for such programs
are limited to and covered by the expenditures stated in the financial plan, and (iii) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period.

5. The covered organizations shall submit to the city and the board such information with respect to their proposed expenditures and revenues for each year during which the financial plan is in effect as the city or the board shall determine, for inclusion in the financial plan proposed by the city. Notwithstanding any other provision of law limiting the authority of the city with respect to any covered organization, the city shall (except for debt service or for programs otherwise mandated by law) have the power to determine the expenditures to be allocated to any covered organization in the financial plan and any modifications thereto.
§ 9. Establishment and application of emergency financial review board fund.

1. There is hereby established a fund designated the emergency financial review board fund. Commencing 1975 and for the duration of the emergency period, all revenues received or to be received by the city or any covered organization (other than a covered organization that shall have outstanding on the effective date of this act bonds or notes held by the public) shall, unless exempted by order of the board, be revenues of the fund and shall be received for the account of the board, except to the extent expressly prohibited by law of the United States of America or where inconsistent with the terms of any bonds or notes issued by any covered organization and outstanding on the effective date of this act. Commencing , 1975 and for the duration of the emergency period, unless exempted by order of the board, all accounts established or thereafter established by the city or the covered organizations (other than a covered organization that shall have outstanding on the effective date of this act bonds or notes held by the public) shall thereafter be accounts of the fund except where otherwise expressly prohibited by law of the United States of America or where inconsistent with the terms of any bonds or notes issued by any covered organization and outstanding on the effective date of this act. All such accounts of the board shall have such captions and entries as the board shall determine to be necessary to credit the foregoing revenues and receipts to the fund.
2. The deposit of revenues into the fund and the investment or deposit of monies therein shall be made in accordance with and pursuant to procedures established by the board.

3. In order to assure compliance with the financial plan, the board shall from time to time adopt procedures controlling the disbursement of monies from the fund.

4. Within the fund there is hereby established a special account designated the debt service repayment account. The board shall from time to time direct, in accordance with procedures adopted by the board, the deposit in the debt service repayment account of such amounts as the board shall, in its discretion, determine to be a sufficient reserve to meet the debt service requirements of the city and the covered organizations whose monies are included in the fund on all of their bonds and notes as they mature.

5. If at any time the board determines that the amount then held in the fund or the amount estimated by the board to be held in the fund is or will be insufficient to meet the expenditures in the amounts and at the times required by the financial plan, the board shall require disbursements from the fund to be made in the following order or priority unless otherwise required by law of the United States of America: (i) the payment of amounts from the fund to the debt service repayment account to maintain therein the amount required by subdivision 4 of this section, (ii) the payment of other liabilities having statutory or contractual priority over remaining liabilities of the city and the covered
organizations whose monies are included in the fund, and (iii) the payment of other obligations on an allocated basis as specified by the city for expenditures in accordance with the financial plan provided that, in the event that the city failed to so specify, the board may withhold payment of any of such other obligations or may direct their payment pro rata.

6. The board shall cause to be performed such pre-audit and post-audit reviews of the fund and disbursements therefrom as it may determine.
§ 10. **Public Employees' Wage Freeze**

1. Increases in salary or wages of public employees of the city of New York (including employees of the covered organizations) which have taken effect since June 30, 1975 or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts requiring such salary increases as of July 1, 1975 or as of any date thereafter are hereby suspended. All increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments for public employees of the city (including employees of the covered organizations) which have taken effect since June 30, 1975 or which will take effect after that date pursuant to collective bargaining agreements or other analogous contracts requiring such increased payments as of July 1, 1975 as of any date thereafter are hereby, in the same manner, suspended. For the purposes of computing the pension base of retirement allowances, the suspended salary or wage increases and the suspended other payments shall not be considered as part of compensation or final compensation or of annual salary earned or earnable. The suspensions provided herein shall be effective for the first pay period ending on or subsequent to September 1, 1975 and shall continue until one year thereafter and, upon determination of the board that the continuation of such suspensions, to a date specified by the board, is necessary in order to achieve the objectives of the financial plan, such suspensions shall be continued.
to the date specified by such board, which date shall in no event 
be later than the end of the emergency period.

2. This section ten shall not be applicable to public 
employees covered by a collective bargaining agreement or a public 
employee not covered by a collective bargaining agreement where 
the collective bargaining representative or such unrepresented em-
ployee has agreed to a deferment of salary or wage increase, by an 
instrument in writing which has been certified by the mayor on or 
before September 1, 1975, or certified by the board after Septem-
ber 1, 1975 as being an acceptable and appropriate contribution 
toward alleviating the fiscal crisis of the city. The board may, 
if it finds that the fiscal crisis has been sufficiently alleviated 
or for any other appropriate reason, direct that the suspensions of 
salary or wage increases or suspensions of other increased payments 
shall, in whole or in part, be terminated.
§ 11. Prohibitions; Penalties

1. From November 1, 1975 through the end of the emergency period (i) no officer or employee of the city of any of the covered organizations shall make or authorize an obligation or other liability in excess of the amount available therefor under the financial plan as then in effect; (ii) no officer or employee of the city or any of the covered organizations shall involve the city or any of the covered organizations in any contract or other obligation or liability for the payment of money for any purpose required to be approved by the board unless such contract has been so approved or deemed to be approved as provided in paragraph (e) of subdivision one of section seven and unless such contract or obligation or liability is in compliance with the financial plan as then in effect.

2. No officer or employee of the city or any of the covered organizations shall take any action in violation of any valid order of the board or shall fail or refuse to take any action required by any such order or shall prepare, present or certify any information (including any projections or estimates) or report for the board or any of its agents that is false, incomplete or misleading, or, upon learning that any such information is false, incomplete or misleading, shall fail promptly to advise the board or its agents thereof.

3. In addition to any penalty or liability under other law, any officer or employee of the city or any of the covered organizations who shall violate subdivisions one or two of this
section shall be subjected to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of either the governor or the mayor: and any officer or employee of the city or any of the covered organizations who shall knowingly and willfully violate subdivisions one or two of this section shall, upon conviction, be fined not more than $ or imprisoned for not more than years, or both.

4. In the case of a violation of subdivision one or two of this section by an officer or employee of the city or any of the covered organizations, the mayor or the head of such covered organization shall immediately report to the board all pertinent facts together with a statement of the action taken thereon.
§ 12. **Termination**

Six months after the end of the emergency period, the existence of the board and all other provisions of this act not theretofore terminated shall terminate.
Section 3. The executive law is hereby amended by adding thereto a new section 41-a to read as follows:

§ 41-a. Special Deputy Comptroller for the City of New York.

1. In addition to the deputies otherwise authorized by law, the comptroller shall appoint a special deputy comptroller for the city of New York. Such deputy may be removed or replaced by the comptroller and shall receive an annual salary to be fixed by the comptroller within the amounts appropriated therefor. Such deputy may perform any of the powers or duties of the comptroller and he shall assist the emergency financial control board created under section of article of the unconsolidated laws in carrying out and exercising the responsibilities assigned and powers granted to such board under such title.

2. Six months after the termination of the emergency period defined in section two of article of the unconsolidated laws, the authorization for the special deputy comptroller for the city of New York contained in subdivision one of this section shall terminate.
Section 4. The local finance law is hereby amended by adding thereto a new section 24.10 to read as follows:

§ 24.10. **Tax receivable notes.**

The city of New York may issue tax anticipation notes which are tax receivable notes. As used in this section, the term "tax receivable notes" shall mean tax anticipation notes issued pursuant to section 24.00 of this title, which shall, upon maturity, at the election of the holder thereof or exclusively if so provided in such notes, be receivable at full face value and in lieu of cash in payment of any tax of the city of New York, any installment of estimated tax of the city of New York, or any interest or penalties thereon, as shall be designated by the comptroller of the city of New York at the time such tax receivable notes are issued. Tax receivable notes received in payment of any such tax or installment of estimated tax shall be cancelled by the officer receiving the same, as of the date of their receipt.
Section 5. Section ninety-eight-a of the state finance law as amended by chapter one hundred sixty-nine of the laws of 1975 is hereby amended to read as follows:

§ 98-a. Investment of general funds, bond proceeds, and other funds not immediately required

Any moneys in the general fund of the state or moneys received from the sale of any bonds or notes issued by the state, any moneys in any fund or account of the state, heretofore or hereafter established, the investment of which is not otherwise authorized and which are not immediately required may be invested by the comptroller. Such moneys may be invested only in obligations of the categories specified in subdivisions one to five, both inclusive, and subdivisions seven, fourteen, fifteen, sixteen and seventeen of section ninety-eight of this chapter, maturing or redeemable at the option of the holder within two years of the date of such investment or in a certificate of deposit of a bank or trust company in this state. Any certificate of deposit shall be fully secured by the issuer thereof depositing with the comptroller stocks, bonds, or notes of any county, town, city, village, fire district or school district of this state issued pursuant to law and maturing within five years from the date of issuance of such certificate of deposit, bonds or notes or direct or guaranteed obligations of the United States of America or its agencies or of the state of New York or bonds and notes issued for any of the corporate purposes of the municipal assistance corporation for the city of New York in an amount equal to the amount of such certificate of deposit. Any bonds, notes or certificates of deposit purchased with moneys of the general fund shall be available always to pay any lawful appropriation in force. Any bonds, notes or certificates of deposit purchased with moneys received from the sale of any bonds or notes issued by the state shall be available always for the purposes or purpose for which such bonds or notes were issued. Any bonds, notes or certificates of deposit purchased with moneys of any other funds shall be available always for the purpose for which such fund was created. Unless otherwise required by law, income received on any moneys invested pursuant to this section shall be credited to the fund or funds from which such moneys were invested, provided, however, that income received from the investment of moneys of the local assistance fund, the state purposes fund and the capital construction fund may be credited in whole or in part to one or more of such funds to the extent necessary to reimburse first instance appropriations for interest on temporary obligations issued on behalf of the fund or funds to be credited. Notwithstanding any other provision of this section or of any other special law, all moneys available and retained on deposit for the payment of lottery prizes may be invested in obligations by the comptroller as herein provided, except that such obligations need not mature
or be redeemable at the option of the holder within two years of the date of such investment. Income received from such investments may be used for the payment of prizes awarded and made payable in more than one payment, including prizes awarded and made payable throughout the lifetime of the lottery prize winner.
Section 6. Section one hundred seventy-nine of the retirement and social security law is hereby renumbered to be section one hundred eighty, and Article 4-A of such law is hereby amended to insert therein a new section one hundred seventy-nine, to read as follows:

§ 179. Investments in municipal assistance corporation securities; indemnification.

1. It is hereby found and declared that securities of the municipal assistance corporation for the city of New York are reasonable, prudent, proper and legal investments for any fund described in subsection one of section one hundred seventy-six of this article or for any board member, officer, employee, trustee or fiduciary thereof to make on behalf of such fund.

2. Notwithstanding any other provision of law, including the provisions of subsection one of section seventeen of the public officers law, no member of the board, officer, employee, fiduciary of any fund described in subsection one of section one hundred seventy-six of this article shall incur or suffer any liability whatsoever to any person beneficially interested in such system by reason of any investment of the moneys thereof in securities of the municipal assistance corporation for the city of New York and each such system shall save harmless and indemnify all members of the
board, officers, employees, trustee, fiduciaries and investment advisors of any fund described in subsection one of section one hundred seventy-six of this article from financial loss arising out of any claim, demand, suit, action or judgment for alleged negligence, waste or breach of fiduciary duty by reason of any investment of any monies of such fund in securities of the municipal assistance corporation for the city of New York provided that such person shall, within five days after the date on which he is served with any summons, complaint, process, notice, demand, claim or pleading, deliver the original or a true copy thereof to the legal advisor of such system. Upon such delivery the legal advisor of such system may assume control of the representation of such person in connection with such claim, demand, suit, action or proceeding. Such person shall cooperate fully with the legal advisor of the system or any other person designated to assume such defense in respect of such representation or defense.
Section 7. A new article is hereby added to the unconsolidated laws to read as follows:

Article _____

INVESTMENT OF FUNDS BY PENSION AND RETIREMENT SYSTEMS FOR PUBLIC EMPLOYEES

§ 1. Legislative Findings

It is hereby found and declared that the financial emergency of the city of New York, recognized by the state in section 2 of article of the unconsolidated laws, necessitates, as a matter of urgent public policy of the state, purchases of securities of the municipal assistance corporation for the city of New York by the pension and retirement systems for public employees of the city of New York and the state of New York.

This legislature has found, declared and enacted that securities of the municipal assistance corporation for the city of New York are reasonable, prudent and proper investments for all public officers and bodies of this state and all trustees and other fiduciaries under the laws of this state.

§ 2. Purchases of Securities

The trustees of the Teachers' Retirement System of the city of New York, the New York City Employees Retirement
System, the New York City Police Pension Fund, the New York City Fire Department Pension Fund and the Board of Education Retirement System of the city of New York are authorized and directed to take any and all actions necessary or appropriate to cause such funds and systems to purchase an aggregate of $ principal amount of bonds of the municipal assistance corporation for the city of New York, pro rata in accordance with the respective aggregate assets of each of such pension funds and retirement systems as at June 30, 1975. The trustees of the New York State Policemen's and Firemen's Retirement System are hereby directed to purchase an aggregate of $ principal amount of bonds of the municipal assistance corporation for the city of New York, the trustees of the New York State Employees Retirement System are hereby directed to purchase an aggregate of $ principal amount of bonds of the municipal assistance corporation for the city of New York, and the trustees of the New York State Teachers Retirement System are hereby directed to purchase an aggregate of $ principal amount of bonds of the municipal assistance corporation for the city of New York. Each of the purchase required herein shall take place as promptly as possible, but in no event later than December 1, 1975, and shall be on such terms as the comptroller shall approve.

The authorization and the direction of this section two are rescinded if by the date of any such purchase the city of New York has defaulted on any of its outstanding bonds or notes.
Section 8. A new subdivision 6. is hereby added to section three hundred thirty-four of the insurance law to read as follows:

6. The state insurance fund, and all state officers with responsibility for the custody or investment thereof, are authorized and directed to take any and all actions necessary or appropriate to cause such fund to make purchases as soon as possible but in no event later than December 1, 1975, of bonds or notes of the municipal assistance corporation for the city of New York in the aggregate principal amount of ___________ million dollars, provided, however, that at the date of any such purchase the city of New York has not defaulted on any of its outstanding bonds or notes.
Section 9. Subdivision two of section three thousand thirty-three of article 10 of the public authorities law is hereby amended to read as follows:

2. Subject to the provisions of any contract with noteholders or bondholders, [T] The corporation shall not issue bonds and notes in an aggregate principal amount exceeding [three] four billion dollars, excluding bonds and notes issued to refund outstanding bonds and notes; provided, however, that if bonds and notes are issued by the New York City stabilization reserve corporation pursuant to title twenty-six of article eight of the public authorities law, the maximum amount of bonds and notes which may be issued by the corporation shall be decreased by the difference between the principal amount of such bonds and notes issued by the New York City stabilization reserve corporation and the principal amount of such bonds and notes held by the corporation.

Subdivision three of section three thousand thirty-three of chapter one hundred sixty-nine of the laws of nineteen hundred seventy-five is hereby amended to read as follows:

3. No note or bond (i) shall mature more than [fifteen] twenty years from the date of the original issue of such note or bond [or] (ii) or shall be issued on a date later than five years after the effective date of this act, unless such note or bond is a renewal or refunding of an outstanding note or bond.
Section 10. Paragraph c. of subdivision seven of section fifty-four of the state finance law is hereby amended to read as follows:

"c. Upon such certification of the amounts payable to counties, cities, villages and towns for town-wide and town outside village purposes, such per capita aid shall be apportioned and paid to the chief fiscal officer of each such locality pursuant to this section on audit and warrant of the state comptroller out of moneys appropriated by the legislature for such purpose to the credit of the local assistance fund in the general fund of the state treasury; provided however that upon such certification of amounts payable to the city of New York, such per capita aid shall be apportioned and paid as follows: (i) five hundred thousand dollars to the chief fiscal officer of the city of New York for payment to the trustees of the police pension fund of such city pursuant to the provisions of paragraph e of this subdivision, (ii) any amounts then required to be paid to the city university construction fund pursuant to the city university construction fund act, (iii) any amounts then required to be paid to the New York city housing development corporation pursuant to the New York city housing development corporation act, and (iv) the balance to the special account
for the municipal assistance corporation for the city of New York in the municipal assistance state aid fund created pursuant to section 92-e of the state finance law."
Section 11. The state finance law is hereby amended by adding thereto a new section to be section ninety-two-e, to read as follows:

§ 92-e. Municipal assistance state aid fund

1. There is hereby established in the custody of the comptroller a special fund to be known as the municipal assistance state aid fund. Within such fund, there is hereby established a special account for each municipal assistance corporation created under article ten of the public authorities law.

2. Such fund shall consist of per capita aid apportioned pursuant to section fifty-four of the state finance law.

3. Such per capita aid apportioned to a city in aid of which a municipal assistance corporation has been created, shall be deposited by the comptroller to the credit of the special account established for the municipal assistance corporation which has been created in aid of such city in order to enable such corporation to fulfill the terms of any agreements made with the holders of its notes and bonds and to carry out its corporate purposes, including the maintenance of the capital reserve fund, and, subject to
the provisions of section fifty-four of the state finance law, the balance, if any, shall be paid to the chief fiscal officer of the city in aid of which such corporation has been created as hereinafter provided.

4. Revenues in any special account in the municipal assistance state aid fund shall be kept separate and shall not be commingled with any other moneys in the custody of the comptroller. All deposits of such revenues shall, if required by the comptroller, be secured by obligations of the United States or of the state having a market value equal at all times to the amount of such deposits and all banks and trust companies are authorized to give security for such deposits. Any such revenues in such fund may, in the discretion of the comptroller, be invested in obligations of the United States or of the state or in obligations the principal of and interest on which are guaranteed by the United States or by the state.

5. Upon receipt by the comptroller of a certificate or certificates from the chairman of a municipal assistance corporation that such corporation requires a payment or payments in order to comply with any agreement with the holders of its notes and bonds and to carry out its corporate purposes, including the maintenance of the capital reserve fund, from the special account established for such
corporation, each of which certificates shall specify the required payment or payments and the date when the payment or payments is required, the comptroller shall pay from such special account on or before the specified date or within thirty days after receipt of such certificate or certificates, whichever is later, to such corporation, as the chairman thereof may direct in any such certificate, the amount or amounts so certified. The comptroller shall from time to time, but in no event later than the fifteenth day of October, January and April and the last day of June of each fiscal year, pay over and distribute to the chief fiscal officer of the city in aid of which such municipal assistance corporation has been created to be paid into the treasury of such city to the credit of the general fund all revenues in the special account established for such corporation in the municipal assistance state aid fund, if any, in excess of the aggregate amount which the chairman of such corporation has certified to the comptroller and which has been previously paid to such corporation as hereinabove authorized. In no event shall the comptroller pay over and distribute any revenues to any person other than the municipal assistance corporation unless and until the aggregate of all payments certified to the comptroller as required by such corporation as of such date in order to comply with
its agreements with the holders of its notes and bonds and to carry out its corporate purposes, including the maintenance of the capital reserve fund, which remain unpaid to such corporation shall have been paid in full to such corporation; provided, however, that no person, including such corporation or the holders of its notes or bonds shall have any lien on such revenues and such agreement shall be executory only to the extent of such revenues available to the state in such special account.

6. All payments of moneys from the municipal assistance state aid fund shall be made on the audit and warrant of the state comptroller.
Section 12. Paragraph 2 of Section 6279 of the education law is hereby amended to read as follows:

(2) The city shall, in addition to any other city financial assistance, annually pay to the fund an amount equal to one-half of the aggregate of all rentals and such other payments due to the dormitory authority from the fund pursuant to any lease, sublease or other agreement entered into between the dormitory authority and the fund for the city fiscal year commencing July first succeeding the filing of the report required to be submitted by the fund pursuant to subdivision seven of section sixty-two hundred seventy-four of this article, which amount shall not exceed eighty million dollars and shall be payable as follows: (a) fifty percent or or before the fifteenth day of July; and (b) fifty percent, or or before the fifteenth day of May of such city fiscal year; provided, however, that such amount shall have been first appropriated by the city to the fund or shall otherwise have been made lawfully available to the fund for such purposes. In the event of the failure of the city to pay the fund, pursuant to the schedule of payments established by this subdivision, all or part of such amounts, the fund shall forthwith make and deliver to the comptroller of the state of New York a certificate stating such amount and the sum, if any, paid by the city to the fund with respect to such amount, and further stating the difference between such amount and such sum, and, after the state comptroller shall have given written notice to the city budget director, such
difference shall be paid to the fund by the state comptroller out
cf the next succeeding payment of state aid apportioned to the city
of New York as per capita aid for the support of local government
pursuant to section fifty-four of the state finance law during such
city fiscal year. The amount so paid over to the fund shall be de-
ducted from the corresponding apportionment of such per capita
state aid otherwise payable to the city of New York, and shall not
obligate the state to make or entitle the city of New York to re-
ceive any additional apportionment or payment of per capita state
aid. The amount of money required to be paid pursuant to this
section shall be determined from the report required to be submitted
by the fund pursuant to subdivision seven of section sixty-two
hundred seventy-four of this article. Notwithstanding any other
provision of law, the city shall have the power to contract in-
debtedness and to issue its obligations pursuant to the local
finance law for the purpose of financing any payment authorized or
required to be made by the city by this section. Any such payment
shall constitute an object or purpose for which the period of
probable usefulness is hereby determined to be five years.
Section 13. Paragraph c. of subdivision one of section six hundred fifty-six of the private housing finance law as last amended by chapter eight hundred fifty of the laws of nineteen hundred seventy-two is hereby amended to read as follows:

"c. No bonds or notes of the corporation shall be issued if upon such issuance (i) the aggregate principal amount of bonds and notes of the corporation then outstanding exceeds [eight hundred million] such amount as would cause the maximum capital reserve fund requirement to exceed fifty million dollars or (ii) the aggregate principal amount of bonds and notes then outstanding for the purpose of financing mortgage loans to owners of existing multiple dwellings exceeds two hundred million dollars or (iii) the aggregate principal amount of bonds and notes then outstanding for the purpose of participating with the city or with one or more organizations mentioned in section fifteen of this chapter in making mortgage loans exceeds one hundred million dollars; provided that, in determining such aggregate principal amounts there shall be deducted (i) all sums then available for the payment of such bonds or notes either at maturity or through the operation of a sinking fund; (ii) the aggregate principal amount of outstanding bonds issued (a) to refund notes and (b) to refund bonds, theretofore issued and
then outstanding; and (iii) the aggregate principal amount of outstanding notes issued to renew notes theretofore issued and then outstanding."
Section 14. Section two hundred seventy-five of the New York city charter is hereby amended to read as follows:

§ 275. **Investment of sinking fund moneys.**—The comptroller may invest the moneys of the several sinking funds in any of the following securities:

1. Obigations of the city of New York.
2. Obligations of the state of New York.
3. Obligations of the United States or of any agency, subdivision, department, division or instrumentality thereof, or obligations fully guaranteed or insured as to interest and principal by any agency, subdivision, department, division or instrumentality of the United States, acting pursuant to a grant of authority from the congress of the United States.
4. **Obligations of the municipal assistance corporation for the city of New York.**

b. When it is possible to purchase for any sinking fund other than the transit unification sinking fund any obligations of the city at less than par, other than obligations issued for the purpose of transit unification, the comptroller shall invest such moneys only in such obligations; provided, however, that when it is possible to purchase any obligations, issued for the purpose of transit unification sinking fund, at less than par out of moneys of the transit unification and redeemable from the transit unification sinking fund, at less than par out of moneys of the transit unification sinking fund, the comptroller shall invest such moneys
only in such obligations; and further provided, that when in his judgment it is advisable to invest part of the cash credited to a sinking fund in short-term obligations because of the approaching maturity of an issue of corporate stock to be redeemed from such fund and when no short-term obligations of the city can be purchased at less than par although obligations of longer terms can be so purchased, he may present to the board of estimate a certified statement detailing such circumstances, and the board may thereupon authorize him to purchase from the city at par its short-term obligations or short-term obligations of the United States not exceeding such amount as, together with the estimated amount of cash which stands to the credit of such fund at the time of such maturity, will equal the amount needed for redemption of such corporate stock.
Section 15. Paragraph 6 of Section 2012 of Title II of Article 10 of the public authorities law is hereby amended to read as follows:

6. Anything in this article ten to the contrary notwithstanding, any agreement or agreements with the holders of notes or bonds issued by any municipal assistance corporation created by or pursuant to any title of this article shall contain a clause stating in substance that any provision in this article or in any such agreement or agreements which relate to taxes imposed under article twelve or sections eleven hundred seven or eleven hundred eight of the tax law of the state or to the funds created by sections ninety-two-b, [and] ninety-two-d or ninety-two-e of the state finance law shall be deemed executory only to the extent of the moneys available to the state in such funds from time to time and no liability on account thereof shall be incurred by the state beyond the moneys available in such funds.
Section 16. Title III of Article 10 of the public authorities law is hereby amended by adding a new section to read as follows:

§ 2551. Bonds or notes legal investments for public authorities. Bonds and notes of the corporation are hereby declared to be legal investments for monies of public corporations of the state of New York and may be used to secure deposits of monies of such corporations in banks or trust companies authorized to do business in the state of New York.
Section 17. Article two, section twenty-three, two of the private housing finance law of 1961, as amended, is hereby amended to read as follows:

The supervising agency shall have exclusive power to promulgate such supplementary rules and regulations with respect to a municipally-aided project and company formed to undertake or operate any such project, as may be necessary to carry out the provisions of this article. No assignment for collateral or pledge by a municipality of its mortgage interest in a project to the State or to any political subdivision thereof shall either affect the power of the municipal supervising agency granted herein or authorize the commissioner to exercise any powers not otherwise granted in this article.
Section 18. A new title 6-A is hereby added to article II of the local finance law to read as follows:

Title 6-A

LOCAL OBLIGATIONS: FINANCIAL EMERGENCY; CONDITION PRECEDENT TO CLAIMS; STAY OF CLAIMS; REHABILITATION PLAN FOR MUNICIPALITY

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§ 85.00. Limitation of provisions; emergency period.

The provisions of this title shall be applicable (a) only to a municipality with respect to which the legislature has declared that a state of financial emergency exists, and (b) only during the emergency period specified by the legislature; provided, however, that the provisions of section 85.80 of this title shall apply to any municipality at any time.
§ 85.10. Presentation of claims; commencement of actions.

No action or special proceeding shall be prosecuted or maintained against a municipality alleging, involving or arising out of the undertaking or breach of any contract or obligation, direct or indirect, of the municipality (including but not limited to any bond, note or other evidence of indebtedness of the municipality or others), nor shall any act be done or action or special proceeding be prosecuted or maintained seeking to obtain or enforce any judgment thereon or any lien, set-off or counterclaim arising therefrom against the municipality, its property or revenue, unless: (a) a demand for payment shall have been made and served upon the municipality, in compliance with section 85.20 of this title, and (b) it shall appear by and as an allegation in any complaint, petition or other moving papers that at least thirty days have elapsed since the service of such demand and that adjustment or payment thereof has been neglected or refused.
§ 85.20. Demand for payment.

a. In any case where a demand for payment is required by section 85.10 of this title as a condition precedent to the commencement of an action or special proceeding against a municipality, the demand shall comply with the provisions of this section.

b. The demand shall be in writing, sworn to by or on behalf of the claimant, and shall set forth: (1) the name and post-office address of each claimant, and of his attorney, if any; (2) the contract or obligation involved; (3) the nature and basis of the claim; (4) the time when the claim arose; and (5) the items of damage claimed to have been sustained so far as then practicable.

c. The demand shall be served on the municipality against whom the claim is made by delivering a copy thereof, in duplicate, personally, or by registered mail, to the person, officer, agent, clerk or employee, designated by law as a person to whom a summons in an action in the supreme court issued against such municipality may be delivered.

d. At or before the trial of an action or the hearing upon a special proceeding to which the provisions of this section are applicable, a mistake, omission, irregu-
larity or defect made in good faith in the demand required to be served by this section, not pertaining to the manner of service thereof, may be corrected, supplied or disregarded, as the case may be, in the discretion of the court, provided it shall appear that the other party was not prejudiced thereby. Application for such relief, if made before trial, shall be by motion, on affidavits. Failure to serve more than one copy may be corrected by such motion.
§ 85.30. Petition of municipality; temporary stay of claims.

Any municipality, or any emergency financial control board established by state law for such municipality, may file a voluntary petition on behalf of the municipality under this section. The petition shall be filed in the supreme court in a county in which the municipality is located. The petition shall state: (a) that the municipality is unable to pay its debts or obligations as they mature; (b) that the municipality or any emergency financial control board established by state law for such municipality intends to file with the court, within sixty days from the filing of the petition, a rehabilitation plan in compliance with the requirements of section 85.40 of this title; and (c) the nature of the debts and obligations of the municipality, the approximate amount thereof, and the identities and addresses of known creditors or, in lieu thereof, the reason such identification is impracticable. A petition filed under this section shall operate to suspend the enforceability of any claim, and to stay the commencement or the continuation of any action or special proceeding, or the doing of any act, within the scope of section 85.10 of this title, in or before any court or other tribunal in any jurisdiction, or otherwise, for a period of sixty days; provided, however, that: (a) the stay may be vacated prior thereto if, upon motion of any creditor, the court finds that the petition
was not filed in good faith or that the municipality is expending funds or otherwise dissipating assets for improper purposes; and (b) if a rehabilitation plan for the municipality is filed within sixty days from the filing of the petition, the court shall extend the stay for such additional period of time as is required to permit the court to enter an order pursuant to section 85.40 of this title. During the period of any stay or extension thereof pursuant to this title, the municipality, with the approval of any emergency financial control board established by state law for such municipality, may expend such sums as are required to maintain and provide essential services.
§ 85.40  Rehabilitation plan for municipality; court approval; continuation of stay

Upon the filing of a petition pursuant to section 85.30, any municipality, with the approval of any emergency financial control board established by state law for such municipality, or any such board with or without the approval of the municipality, may file a rehabilitation plan on behalf of the municipality. Upon the filing of such a plan, the court shall enter an order extending any stay then in effect pursuant to section 85.30 for such period of time as is required to carry out fully all of the terms and provisions of the plan if the court finds, after a hearing upon notice to interested parties, that: (a) the rehabilitation plan provides for the eventual payment in full of all contractual debts and obligations of the municipality, with interest due thereon at the time of maturity, subject to existing powers of the state to modify public employment or other contracts or obligations in times of emergency; (b) that, giving due regard to the overriding responsibility of the municipality to maintain and provide essential services and to the practical limits of the taxing authority of the municipality, the rehabilitation plan is at least as likely to provide full and prompt payment to all affected creditors, on an equitable basis, as any stayed action, special proceeding or other act initiated by, or available to, such creditors; (c) that the rehabilitation plan was approved by any emergency financial control board established by state law for such municipality, and (d) that the rehabilitation plan does not materially prejudice any available right or remedy of any creditor in the event the plan is not consummated. The plan shall further provide
for the payment of interest on all matured debts and obligations, at no less than the rate prescribed by law at the time for the payment of interest by municipal corporations on judgments and accrued claims. The plan shall provide for prompt and appropriate notice of the filing of the plan and the hearing thereon to be given to all known creditors of the municipality affected thereby, by mail or publication, or both, as may be practicable under the circumstances. The plan may provide for the payment of creditors or classes of creditors in any form or manner, on the same or different basis, in any order, so long as the requirements of this section are met and any applicable constitutional priorities among creditors or classes of creditors are recognized and preserved. In the event the court is unable to make the aforesaid findings as to the rehabilitation plan, it shall enter an order so stating and vacating the stay then in effect, which order shall become effective within ten days from the entry thereof unless, prior thereto, the municipality or any emergency financial control board established by state law for such municipality files with the court an amended rehabilitation plan. Upon the filing of the first such amended plan, the court shall (and, upon the filing of any further amended plans, it may in its discretion) extend the stay for such additional period of time as is required to permit the court to enter an order containing findings pursuant to this section with respect to the amended plan.
§ 85.50. Vacating stay; permanent injunction.

Any order extending a stay pursuant to section 85.40 of this title may be vacated or modified if, upon motion of any creditor affected thereby, the court finds: (a) that the municipality has failed to comply with a material provision of the rehabilitation plan; or (b) that the municipality is expending funds or otherwise dissipating assets for improper purposes; or (c) that, due to a material change in circumstances, the rehabilitation plan no longer complies with the requirements of section 85.40. Upon the occurrence of the final act necessary to carry out fully all of the terms and provisions of the rehabilitation plan, the court, upon motion of the municipality or any emergency financial control board established by State law for such municipality, shall enter an order permanently enjoining the commencement or the continuation of any action, special proceeding or other act relating to any debt or obligation included in the plan.
§ 85.60. Modification of plan.

At any time prior to entry of an order approving a rehabilitation plan pursuant to section 85.40 of this title, the municipality or any financial emergency control board established by state law for such municipality may file modifications thereof, subject to the power of the court to enter an order prohibiting the filing of a further modification if it finds that such modification was not filed in good faith. At any subsequent time, the municipality or any financial emergency control board established by state law for such municipality may file modifications only on court order, after hearing, upon notice to interested parties. Upon the filing of any such modifications, the court shall hold a hearing pursuant to section 85.40 and shall enter an order continuing or extending the stay, as may then be in effect, pursuant to section 85.30 or 85.40 of this title, for such period of time as may be required to permit the court to enter an order pursuant to section 85.40 with respect to the modified plan.
§ 85.70. **Notice to claimants.**

Upon the filing of a petition pursuant to section 85.30 of this title or the entry of any order extending, vacating or modifying a stay pursuant to this title, prompt and appropriate notice thereof shall be given, at the expense of the municipality, to all known claimants of the municipality affected thereby, by mail or publication, or both, in the form and manner as the court may direct.
§ 85.80. Authority for municipality or emergency financial control board to file petition under federal statute.

In addition to, or in lieu of, filing a petition under this title, a municipality, or any emergency financial control board established by state law for such municipality, may file any petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, providing relief to financially embarrassed municipalities. Nothing contained in this title shall be construed to limit the authorization granted by this section.
§ 85.90. Judicial review.

If any plan proposed pursuant to this title should be disapproved, or if any stay shall be vacated or modified or an extension thereof denied pursuant to this title, or if any other order pursuant to this title should be entered which is adverse to the municipality or any financial emergency control board established by state law for such municipality, by any court of this state, the municipality or any financial emergency control board established by state law for such municipality shall have a direct appeal as of right to the court of appeals of this state, which shall have the duty to assign the appeal for hearing at the earliest possible date and otherwise to cause the appeal to be heard and decided expeditiously.