

THIRD REGULAR SESSION, 1986

AN ACT

To amend P.L. No. 4-49, Commonwealth Development Authority.

BE IT ENACTED BY THE FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

Section 1. Findings.

(a) In furtherance of the legislative mandate of the Commonwealth Development Authority (the "Authority") to underwrite, purchase, own, sell, mortgage, or otherwise dispose of stocks, bonds, debentures, securities or other evidences of indebtedness in furtherance of the purposes of Public Law No. 4-49 (the "Act"), including to stimulate the economic development of the Commonwealth, the Authority is to be authorized and empowered to make and issue bonds, notes or other obligations in furtherance of the purposes of the Act and to reinvest prudently all or any portion of the proceeds of such bonds, notes or other obligations, in certain Investment Securities (as defined in the Act) or in one or more insurance or endowment policies or annuity contracts or optional annuity contracts, including without limitation certain funding agreements or guaranteed investment contracts, and to secure such bonds, notes or other obligations by such proceeds, such reinvestment or such other guarantees and collateral as may be required by the Authority.

(b) In connection with the making and issuance by the Authority of such bonds, notes or other obligations, the Authority is to be authorized and empowered to waive expressly, at or before the time of the issuance of such bonds, notes or other obligations, any right of the Authority to issue such bonds, notes or other obligations exempt as to principal and interest, from taxation by the United States, or by any state, territory or possession of the United States, or any political subdivision of any of them.

(c) The Authority is to be authorized and empowered to use all or any portion of the proceeds of such bonds, notes or other obligations, the reinvestment of such proceeds of such bonds, notes or other obligations and earnings derived from such reinvestment to provide for the timely repayment of such bonds, notes or other obligations in accordance with their respective terms and the payment of costs and expenses incidental to such bonds, notes and other obligations, and to use any excess earnings or other moneys derived therefrom in furtherance of the purposes of the Act, and to secure such bonds, notes or other obligations by such proceeds, such reinvestments or such other guarantees and collateral as may be determined or pledged by the Authority.

(d) The Authority pursuant to existing Section 6(a)(27) of the Act is financial advisor and coordinator with respect

to any public borrowing by the Commonwealth, its departments, autonomous public agencies, municipalities and public corporations, and as such, the Authority has special expertise, management capability and understanding and experience of the economy and its investment potential and climate, its corporate and capital market structure, to evaluate the propriety and prudence of the making and issuing such bonds, notes or other obligations in furtherance of the purposes of the Act and to reinvest prudently all or any portions of the proceeds of such bonds, notes or other obligations, and to secure such bonds as aforesaid, subject to the continuing authority of the Authority to defer the exercise of such power pursuant to Section 10(n) of the Act.

(e) The Authority is to be authorized and empowered to enter into interest rate exchange transactions and other similar financial accommodations with public or private individuals, corporations, agencies or cooperatives and to purchase letters of credit, insurance policies, surety bonds or other similar financial guarantees from foreign or domestic banking corporations or associations, insurance companies, sureties or other private individuals, corporations, agencies or cooperatives.

(f) After due consideration, the making and issuance by the Authority of such bonds, notes or other obligations,

the reinvestment of the proceeds thereof and the use of all or any portion of the proceeds and earnings and any excess earnings or other moneys derived therefrom in such furtherance of the purposes of the Act and the entering into interest rate exchange transactions and other similar financial accommodations and the purchasing by the Authority of letters of credit, insurance policies, surety bonds and other similar financial guarantees or collateral are defined to be, for the purposes of this Act, public purposes in accordance with the Constitution, Article X, Section 1 and laws of the Commonwealth and found to be consistent with the public purposes of the Authority and to satisfy the general management guidelines and financial prudence requirements set forth in Sections 10 and 11 of the Act.

Section 2. Amendment. Section 6(a) of P.L. 4-49 is amended to add new subparagraphs 33 and 34 to read as follows:

"(33) to make and issue bonds, notes or other obligations in furtherance of the purposes of this Act, including, but not limited to, in accordance with Section 24 of this Act.

(34) to enter into interest rate exchange transactions and other similar financial accommodations with public or private individuals, corporations, agencies or cooperatives and to purchase letters of credit, insurance policies, surety bonds, or other similar financial guarantees or

collateral from foreign or domestic banking corporations or associations, insurance companies, sureties or other private individuals, corporations, agencies or cooperatives and execute all instruments necessary or convenient in the exercise of such power."

Section 3. Amendment. Section 11 of P.L. 4-49 is amended to add a new subsection (e) to read as follows:

"(e) Reinvestment by the Authority pursuant to Section 24 of this Act of all or any portions of the proceeds of bonds, notes or other obligations made and issued pursuant to such Section is expressly authorized."

Section 4. Amendment. P.L. 4-49 is amended to renumber existing "Section 24. Severability." as new "Section 25. Severability." and to renumber existing "Section 24. Effective Date" as new "Section 26. Effective Date." and to add, following the existing Section 23. Vacation of Executive Order.", new Section 24 to read as follows:

"Section 24. Authority Reinvestment Revenue Bonds Program.

(a) In furtherance of Section 6 and not in limitation thereof, the Authority is expressly authorized and empowered to make and issue bonds, notes, or other obligations in furtherance of the purposes of this Act by reinvesting all or any portion of the proceeds of such bonds, notes or other obligations pursuant to Section 11(e) and subsection (c) of this Section and to use any or all of the proceeds, reinvestment and earnings therefrom to provide for timely

repayment of such bonds, notes or other obligations in accordance with their respective terms and the payment of any cost and expenses incidental to such bonds, notes or other obligations, and to use any excess earnings or other moneys derived therefrom in furtherance of the purposes of this Act for one or more public purposes at the direction of the Authority with the approval of the Legislature by Joint Resolution, and which bonds, notes or other obligations shall be secured by such proceeds, such reinvestment or such other guarantees and collateral as may be determined or pledged by the Authority; provided that, such bonds, notes or other obligations shall not constitute obligations or indebtedness of the Commonwealth or any political subdivision, governmental unit or agency thereof, but shall be special and limited obligations of the Authority, payable solely from the revenues and assets determined or pledged by the Authority to provide for the repayment thereof. Neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is or shall be pledged to the payment of the principal of, premiums, if any, or interests on such bonds, notes or other obligations.

(b) The Authority is expressly authorized and empowered in connection with the making and issuance of such bonds, notes or other obligations, to waive expressly

at or before the time of the issuance of such bonds, notes or other obligations, any right of the Authority to issue such bonds, notes or other obligations exempt as to principal and interest, from taxation by the United States or by any state, territory or possession of the United States, or any political subdivision of any of them.

(c) In furtherance of Section 11 and not in limitation thereof, proceeds of bonds, notes or other obligations of the Authority made and issued pursuant to this Section shall be reinvested by the Authority, to the extent permitted by law, in one or more insurance or endowment policies or annuity contracts or optional annuity contracts, including without limitation funding agreements and guaranteed investment contracts, issued by any foreign or domestic insurance corporation, company or firm; provided that, such bonds, notes or other obligations or the claims paying ability of the insurance corporations, companies or firms issuing such policies, contracts, or agreements are rated at the time of their issuance in either of the two highest rating categories by a nationally recognized rating agency, or in one or more Investment Securities (as defined in Section 11(d)), which policies, contracts, agreements or Investment Securities in each such case mature not later than the the date on which money so reinvested will be needed for the purposes of this Act.

(d) The implementation of the Authority reinvestment revenue bonds program pursuant to subsections (a), (b) and (c) of this Section is in compliance with Section 10 of this Act. The Authority is requested to prepare, within not more than 180 days following the initial issuance date of bonds, notes or other obligations pursuant to this Section, and to update as necessary, an "Authority reinvestment revenue bonds program report" for delivery to the legislature and the Governor. Failure to prepare such report shall not affect the validity of the issuance of such bonds, notes or other obligations pursuant to subsections (a), (b) and (c) of this Section.

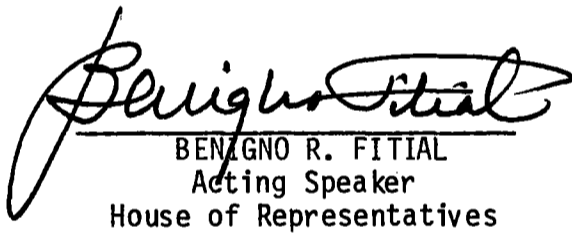
(e) The making and issuance of bonds, notes or other obligations by the Authority pursuant to this Section is hereby expressly defined as a public purpose and in furtherance of the purposes of this Act, including without limitation to stimulate the economic development of the Commonwealth.

(f) In furtherance of Section 6(b)(4) of the Act and not in limitation thereof, the Legislature may approve by joint resolution the authorization, making the issuance by the Authority of bonds, notes or other obligations pursuant to subsections (a), (b) and (c) of this Section either in a stated aggregate principal amount or an aggregate principal amount not in excess of a principal

amount necessary and convenient to earn over the term of such bonds through the reinvestment revenue bond program a stated aggregate amount of excess earnings or other moneys derived therefrom. Such approval by the Legislature may be of a single making and issue of bonds, or of one or more series of such bonds from time to time. Such approval by the Legislature pursuant to this subsection (f) shall be deemed to satisfy the requirements of Section 6(b)(4) of the Act."

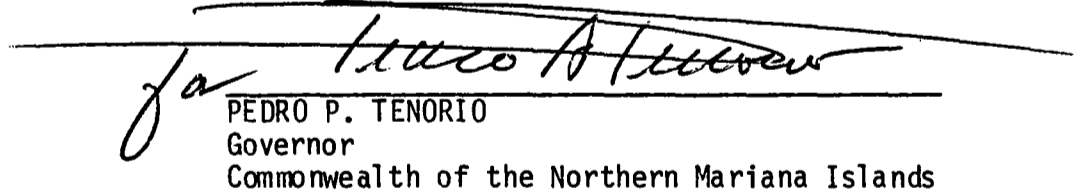
Section 5. Effective Date. This Act shall take effect after its approval by the Governor, or upon its becoming law without such approval.

ATTEST:


BENIGNO R. FITIAL
Acting Speaker
House of Representatives


FRANCES P. SABLAN
House Clerk

APPROVED, FEB. 20, 1987


PEDRO P. TENORIO
Governor
Commonwealth of the Northern Mariana Islands