

FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
EIGHTH SPECIAL SESSION, 1987

PUBLIC LAW NO. 5-37
HOUSE BILL NO. 5-188,
H.D.1

AN ACT

To add a new Chapter 5 to 4 CMC, Division 10, to provide for a trust account to be established into which shall be deposited Covenant Funds; to appropriate Covenant Multi-Year Financial Funds to the Commonwealth Development Authority for use as set forth herein, and for other purposes.

BE IT ENACTED BY THE FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

Section 1. Purpose. The purpose of this Act is to authorize an irrevocable trust fund into which Covenant Capital Development Funds will be deposited so as to provide security for the payment of principal, premium and interest on revenue and non-revenue producing project to Bondholders of the Commonwealth Development Authority Adjustable Rate Revenue Bonds (Capital Improvement Projects) Series 1986A Bonds and Series 1986B Bonds.

Section 2. Intent. The intent of this Act is to establish the mechanism to use Covenant funds to secure and pay principal, interest and premium, if any, to bondholders and to fulfill the intent and purpose of U.S. Public Law 99-396 and House Joint Resolution 5-12, as amended, including the distribution of funds among the three Senatorial Districts.

Section 3. Amendment. 4 CMC, Division 10 is amended by adding a new Chapter 5 to read as follows:

"10501. Definitions. As used in this Act, the following definitions shall apply:

"(a) 'CDA'. The Commonwealth Development Authority established by Public Law 4-49, as amended.

"(b) 'Bonds'. Those bonds issued in the name of CDA, including but not limited to the bonds entitled Commonwealth Development Authority Adjustable Rate Revenue Bonds (Capital

Improvement Projects) Series 1986A Bonds and Series 1986B Bonds contemplated and previously authorized by House Joint Resolution No. 5-12, S.D.1.

"(c) 'Bond Trustee'. The Trustee under the Indenture of Trust.

"(d) 'Covenant Funds'. The \$126,000,000 of Capital Development Funds identified in that certain agreement (Multiple Financial Agreement) dated July 10, 1985, signed by the Special Representatives of the President of the United States and of the Governor of the Commonwealth of the Northern Mariana Islands, as approved in U.S. Public Law 99-396, Section 10.

"(e) 'Covenant Funds Trustee'. The Trustee of the Trust Account established hereunder.

"(f) 'Trust Account'. An irrevocable trust account to be established by and administered at the direction of CDA into which will be deposited Covenant Funds as they are received from the Department of Interior (DOI). The account shall be established at a banking institution designated by CDA as Trustee, but such trust account shall be separate and apart from the trust estate that is held for the benefit of the Bondholders under the Indenture of Trust, dated as of July 1, 1986 as amended, executed by CDA and a bank as Trustee for the Bonds ('Indenture of Trust').

"(g) 'Bondholder'. Any person who shall be the registered owner of any Outstanding Bond or Bonds and includes any insurer or guarantor of such Bonds.

"(h) 'Debt Service Fund'. The special trust fund so designated and established pursuant to Section 5.1 Indenture of Trust.

"(i) 'Loan Agreement'. Any Loan Agreement negotiated and executed by CDA with respect to the Bonds.

"(j) 'Parity Lot Sub-Account'. The sub-account of the Trust Account into which Covenant Funds as may be pledged to secure Bonds of a Parity Lot (as defined in the Indenture of Trust) shall be deposited.

"(k) 'Revolving Fund'. A fund established by CDA into which repayments of principal and interest from Loan Agreements made by CDA to borrowing autonomous public agencies with respect to the Bonds shall be deposited into.

"(l) Other terms, except as set forth heretofore, shall have meanings consistent with the Indenture of Trust.

"10502. Power to Pledge Covenant Funds. Covenant Funds may be pledged to secure the payment of principal, premium and interest on Bonds, the proceeds of which are to be used by CDA to finance specified capital improvement projects; provided however, that the Indenture of Trust shall provide to the effect that no

Bond proceeds shall be released by the Bond Trustee from the Construction Fund of the Indenture of Trust for expenditure on a project unless CDA, by an authorized officer, and the majority of the Legislative Members representing the respective Senatorial District in which the CIP project is located, certifies to the Bond Trustee that such project is a CIP Project further approved pursuant to House Joint Resolution No. 5-12, S.D.1, as amended, by the affirmative vote of a majority of the Legislative Members representing the respective Senatorial District in which such CIP Project is located. Provided, further, that as a condition to such certification, the First and Second Senatorial Districts, shall each receive no less than one-eighth share of the net proceeds of each bond drawdown up to drawdowns in the cumulative amount of \$126 million and drawdowns which in the cumulative exceeds \$126 million, the First and Second Senatorial Districts shall each receive no less than sixteen percent (16%) of the net of each drawdowns for CIP Projects in their respective Senatorial Districts, unless however, the majority of the Members of the respective Senatorial Delegation agrees to a sum less than the one-eighth share of that particular drawdown or less than the sixteen percent (16%) of any drawdowns in excess of \$126 million.

"10503. Covenant Funds; Appropriations. Pursuant to a grant pledge agreement between the Commonwealth and DOI, or any successor to DOI, with respect to Covenant Funds, such pledged Covenant Funds

shall be transferred, as received, to the Covenant Funds Trustee for deposit in the respective Parity Lot Sub-Account of the Trust Account, on the dates and in the amounts scheduled in such grant pledge agreement. The receipt of such funds into the Trust Account shall constitute an act of appropriation by the Legislature and shall enable the funds to be expended as set forth in Section 10504.

"10504. Release of Covenant Funds. CDA is hereby authorized to direct the Covenant Funds Trustee to pay and the Covenant Funds Trustee shall pay in accordance with such direction, amounts, or interest earned therefrom, in Parity Lot Sub-Accounts of the Trust Account received pursuant to grant pledge agreements over to the Bond Trustee in accordance with the Project Series designation or other CDA financing documents with respect to such Project Series Bonds in order to make payments of, or to provide for the payment of, the principal, interest and redemption premium, if any, with respect to the related Project Series Bonds of a Parity Lot.

"10505. Exclusive Use. Covenant Funds in the Parity Lot Sub-Accounts of the Trust Account, or interest earned therefrom, may only be used to pay or provide for the payment of principal, premium and interest on Bonds the proceeds of which are required by the Indenture of Trust to be expended respecting CIP Projects in accordance to Section 10502.

"10506. Lapse of Trust Account Funds. If, for any reason whatsoever, Covenant Funds, or interest earned therefrom, are no longer needed to secure, or to make, principal or interest payments

to Bondholders, then, within 60 days after such determination by CDA and the Bond Trustee, CDA shall inform the Legislature by joint letter to the Chairman of the House of Representatives Committee on Appropriations and the Chairman of the Senate Committee on Fiscal Affairs, that Covenant Funds being held in the Trust Account are now available for use on their CIP Projects as may be authorized or appropriated for by the Legislature.

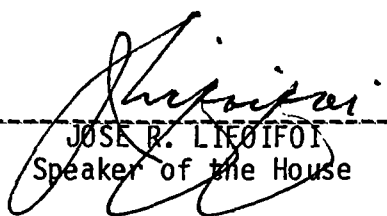
"10507. Investment of Funds in Parity Lot Sub-Accounts. The Covenant Funds Trustee is authorized to invest and reinvest amounts in Parity Lot Sub-Accounts of the Trust Account as allowed by law and as directed by CDA.

"10508. Revolving Fund Proceeds; Use. Loan Agreement repayments made by an autonomous public agency shall be deposited only into the Revolving Fund for financing of additional revenue and non-revenue producing projects capital improvement projects as are approved pursuant to House Joint Resolution No. 5-12, S.D.1, as amended, by the affirmative vote of a majority of the legislative members representing the respective senatorial district in which such CIP Project is located."


Section 4. Severability. If any provision of this Act, or the application of any such provision or any person or circumstance, shall be held invalid by a court of competent jurisdiction, the remainder of this Act, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

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

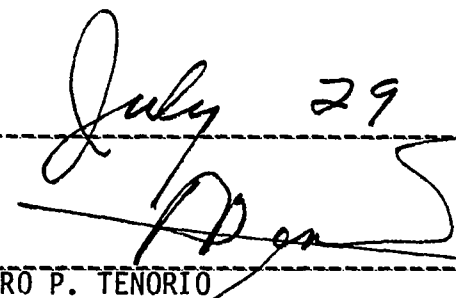
ATTEST:



JOSE R. LIOIFOI
Speaker of the House



FRANCES P. SABLAN
House Clerk



July 29, 1987
5:06 P.M.

PEDRO P. TENORIO
Governor
Commonwealth of the Northern Mariana Islands