

SENATE BILL NO. 422

INTRODUCED BY HALLIGAN

IN THE SENATE

February 15, 1983	Introduced and referred to Committee on State Administration.
February 16, 1983	Committee recommend bill do pass. Report adopted.
February 17, 1983	Bill printed and placed on members' desks.
February 19, 1983	Second reading, do pass.
February 21, 1983	Correctly engrossed.
February 22, 1983	Third reading, passed. Ayes, 49; Noes, 0. Transmitted to House.

IN THE HOUSE

February 28, 1983	Introduced and referred to Committee on State Administration.
March 10, 1983	Committee recommend bill be concurred in as amended. Report adopted.
March 19, 1983	Second reading, concurred in.
March 21, 1983	Third reading, concurred in.



IN THE SENATE

March 22, 1983

Returned to Senate with  
amendments.

March 23, 1983

Second reading, amendments  
concurred in.

March 24, 1983

Third reading, amendments  
concurred in. Ayes, 47; Noes,  
0.

Sent to enrolling.

Reported correctly enrolled.

1 *Spate* BILL NO. *422*  
2 INTRODUCED BY *Dallan*

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE AND  
5 PROVIDE FOR THE ISSUANCE, EXECUTION, AUTHENTICATION, AND  
6 TRANSFER OF PUBLIC OBLIGATIONS IN REGISTERED FORM; AND  
7 PROVIDING AN EFFECTIVE DATE."

8  
9 WHEREAS, Congress has enacted the Tax Equity and Fiscal  
10 Responsibility Act of 1982 that requires, among other  
11 things, that all public obligations be issued in registered  
12 form if the interest earned on such obligations is to be  
13 exempt from the federal income tax; and

14 WHEREAS, Congress has extended from January 1, 1983, to  
15 July 1, 1983, the effective date of the Act insofar as it  
16 applies to the registration of public obligations for the  
17 purpose of allowing states, municipalities, and the  
18 commercial world to enact laws and ordinances and implement  
19 procedures to facilitate compliance with the law; and

20 WHEREAS, current Montana law does not provide for the  
21 issuance of most public obligations in a registered form;  
22 and

23 WHEREAS, the inability of the state, local governments,  
24 school districts, or other governmental entities to issue  
25 registered bonds results in an inability to issue public

1 obligation bonds on which the interest earned is tax exempt;  
2 and

3 WHEREAS, the ability to finance public improvements  
4 through the issuance of tax-exempt bonds is critical to the  
5 conduct of the public business.

6 THEREFORE, it is the intent of the Legislature to  
7 authorize the state, local governments, school districts,  
8 and other governmental entities to issue in a registered  
9 form the public obligations they are now authorized to  
10 issue.

11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Short title. [This act] may be cited as the  
14 "Model Public Obligations Registration Act of Montana".

15 Section 2. Definitions. As used in [this act], the  
16 following definitions apply:

17 (1) (a) "Authorized officer" means, with respect to  
18 any certificated public obligation:

19 (i) an individual whose signature to the certificated  
20 public obligation is required or permitted; or

21 (ii) an individual whom an authorized officer may,  
22 either alone or with the concurrence of another or others,  
23 permit to affix his signature to the certificated public  
24 obligation and who is so permitted in writing by the  
25 authorized officer with any required concurrence.

(b) "Authorized officer" means, with respect to any uncertificated public obligation, any individual referred to in this subsection as an authorized officer with respect to a certificated public obligation of the same class or series.

(2) "Certificated public obligation" means an obligation that is:

(a) issued pursuant to a system of registration;

(b) represented by an instrument; and

(c) either one of a class or series or by its terms divisible into a class or series of obligations.

(3) "Code" means the Internal Revenue Code of 1954, as amended.

(4) "Facsimile seal" means the reproduction by engraving, imprinting, stamping, or other means of the seal of the issuer, official, or official body.

(5) "Facsimile signature" means the reproduction by engraving, imprinting, stamping, or other means of the manual signature of an authorized officer.

(6) "Financial intermediary" means a bank, broker, or clearing corporation or the nominee of any of them or other person or nominee which in the ordinary course of its business maintains public obligation accounts for its customers.

(7) "Issuer" means a public entity that:

(a) executes a certificated public obligation to evidence its duty to perform an obligation represented by the certificated public obligation;

(b) undertakes to perform an obligation that is an uncertificated public obligation; or

(c) becomes responsible for or in place of a public entity described as an issuer in this subsection.

(8) "Obligation" means an agreement of an issuer to pay principal and interest and includes a share, participation, or other interest in any such agreement.

(9) "Official actions" means the actions by statute, order, ordinance, resolution, contract, or other authorized means by which the issuer provides for issuance of a public obligation.

(10) "Official or official body" means the officer or body that is empowered under the laws of one or more states, including this state, to provide for original issuance of a public obligation of the issuer by defining the obligation and its terms, conditions, and other incidents; the successor or successors of any such official or official body; and such other person or group of persons as are assigned duties of such official or official body under applicable law from time to time.

(11) "Original issuance" means the first transfer of a public obligation by an issuer to a purchaser.

1 (12) "Public entity" means any entity, department, or  
 2 agency that is empowered under the laws of one or more  
 3 states, including this state, to issue obligations, any  
 4 interest with respect to which may under any provision of  
 5 law be provided an exemption from the income tax referred to  
 6 in the code. The term "public entity" may include this  
 7 state, a political subdivision, a municipal corporation, a  
 8 state university or college, a school district or other  
 9 special district, a joint agreement entity, a public  
 10 authority, a public trust, a nonprofit corporation, or other  
 11 organization.

12 (13) "Public obligation" means either a certificated or  
 13 an uncertificated public obligation.

14 (14) "System of registration" and its variants means a  
 15 plan:

16 (a) with respect to a certificated public obligation,  
 17 that provides that:

18 (i) the certificated public obligation specify a  
 19 person entitled to the public obligation or the rights it  
 20 represents; and

21 (ii) transfer of the certificated public obligation may  
 22 be registered upon books maintained for that purpose by or  
 23 on behalf of the issuer; and

24 (b) with respect to an uncertificated public  
 25 obligation, that provides that transfer of the

1 uncertificated public obligation be registered upon books  
 2 maintained for that purpose by or on behalf of the issuer.

3 (15) "Uncertificated public obligation" means an  
 4 obligation that is:

5 (a) issued pursuant to a system of registration;

6 (b) not represented by an instrument; and

7 (c) either one of a class or series or by its terms  
 8 divisible into a class or series of obligations.

9 Section 3. Declarations of state interest -- purposes.

10 [1] Sections 103 and 103A of the code provide that interest  
 11 with respect to certain obligations may not be exempt from  
 12 the income tax if they are not in registered form. It is  
 13 therefore a matter of state concern that public entities be  
 14 authorized to provide for the issuance of obligations in  
 15 such form. It is a purpose of [this act] to authorize all  
 16 public entities to establish and maintain a system pursuant  
 17 to which obligations may be issued in registered form within  
 18 the meaning of sections 103 and 103A of the code.

19 (2) Obligations have traditionally been issued in  
 20 bearer rather than in registered form, and a change from  
 21 bearer to registered form will significantly affect the  
 22 relationships, rights, and duties of issuers of and the  
 23 persons that deal with obligations and, by such effect, the  
 24 costs. Such effects will impact the various issuers and  
 25 varieties of obligations differently, depending on their

1 legal and financial characteristics, their markets, and  
2 their adaptability to recent and prospective technological  
3 and organizational developments. It is therefore a matter of  
4 state concern that public entities be provided flexibility  
5 in the development of systems of registration and control  
6 over system incidents, so as to accommodate differing  
7 impacts. It is a purpose of [this act] to provide for the  
8 establishment and maintenance, and amendment from time to  
9 time, of differing systems of registration of obligations,  
10 including system incidents, so as to accommodate the  
11 differing impacts upon issuers and varieties of obligations.

12 Section 4. System of registration. (1) Each issuer is  
13 authorized to establish and regularly maintain a system of  
14 registration with respect to each public obligation that it  
15 issues. The system may be either a system pursuant to which  
16 only certificated public obligations are issued or a system  
17 pursuant to which both certificated and uncertificated  
18 public obligations are issued. The issuer may discontinue  
19 and reinstitute either system from time to time.

20 (2) The system must be established and regularly  
21 maintained or amended, discontinued, or reinstituted for the  
22 issuer by the official or official body.

23 (3) The system must be described in the official  
24 actions that provide for original issuance and in subsequent  
25 official actions providing for amendments and other matters

1 from time to time. Such description may be by reference to a  
2 program of the issuer that is established by the official or  
3 official body.

4 (4) The system must define the method or methods by  
5 which transfer of the public obligations is effective with  
6 respect to the issuer, which method or methods are exclusive  
7 (substantial compliance being essential to a valid transfer)  
8 and by which payment of principal and any interest must be  
9 made. The system may permit the issuance of public  
10 obligations in any denomination to represent several public  
11 obligations of smaller denominations. The system may also  
12 provide for the form of any certificated public obligations,  
13 for differing record and payment dates, for varying  
14 denominations, and for accounting, canceled certificate  
15 destruction, and other incidental matters.

16 (5) Under a system pursuant to which both certificated  
17 and uncertificated public obligations are issued, both types  
18 of public obligations may be regularly issued or one type  
19 may be regularly issued and the other type issued only under  
20 described circumstances or to particular described  
21 categories of owners. Under a system pursuant to which  
22 uncertificated public obligations are regularly issued  
23 provisions may be made for registration of pledges and  
24 releases.

25 (6) The system may include covenants of the issuer as

1 to amendments, discontinuances, and reinstitutions and the  
2 effect of such on the exemption of interest from the income  
3 tax provided for by the code.

4 (7) If the effect of a conversion from one of the  
5 forms of public obligations provided for in [this act] to a  
6 form not provided for in [this act] is that interest will  
7 continue to be exempt from the income tax provided for by  
8 the code, [this act] does not preclude such conversion.

9 (8) To the extent not inconsistent with [this act],  
10 the rights provided by other laws with respect to  
11 obligations in other forms must be provided with respect to  
12 obligations in forms that may be used under [this act].

13 Section 5. Certificated public obligation -- execution  
14 -- authentication. (1) A certificated public obligation must  
15 be executed by the issuer by:

16 (a) the signing by an authorized officer with the  
17 manual signature of such officer; or

18 (b) the signing by such officer with a facsimile  
19 signature in lieu of the manual signature of such officer.

20 (2) Each certificated public obligation may, in  
21 addition to the signature or signatures of an authorized  
22 officer or officers, have placed upon it a certificate or  
23 certificates as authenticating trustee, registrar, transfer  
24 agent, or the like. Such certificate may be signed by the  
25 manual signature of an individual or by a facsimile

1 signature in lieu of a manual signature, provided that at  
2 least one certificate is signed by a manual signature.

3 (3) The certificated public obligation must bear the  
4 manual signature of either:

5 (a) an authorized officer as defined in [section 2];  
6 or

7 (b) a person described in subsection (2).

8 Section 6. Certificated public obligation --  
9 signatures. (1) No certificated public obligation signed by  
10 the authorized officers at the time of the signing is  
11 invalid or without binding effect even though before the  
12 issuance thereof any or all of such officers have ceased to  
13 fill their respective offices.

14 (2) Any authorized officer employed to sign any  
15 certificated public obligation may adopt as and for the  
16 signature of the officer the signature of a predecessor in  
17 office in the event that such predecessor's signature  
18 appears on such certificated public obligation.

19 Section 7. Certificated public obligation -- seal.  
20 When a seal is required or permitted in the execution of any  
21 certificated public obligation, an authorized officer may  
22 cause the seal to be printed, engraved, stamped, or  
23 otherwise placed in facsimile thereon. The facsimile seal  
24 has the same legal effect as the impression of the seal.

25 Section 8. Uncertificated public obligation -- signed



1 statements. The issuer shall provide, with respect to its  
 2 uncertificated public obligations, for the sending of  
 3 written statements that provide a record of certain rights  
 4 as of the time of issuance of the statements. The statements  
 5 must be sent to each person acquiring rights by registration  
 6 in uncertificated public obligations, and the statements so  
 7 sent must be signed by an authorized officer or by a person  
 8 whose signature is required or permitted to be placed on a  
 9 certificated public obligation of the same class or series.  
 10 Statements, as such, confer no right on the recipient.  
 11 Statements are neither a negotiable instrument nor a  
 12 security.

13 Section 9. Agents -- depositories. (1) An issuer may  
 14 appoint for a term as may be agreed, including for so long  
 15 as a public obligation may be outstanding, corporate or  
 16 other authenticating trustees, transfer agents, registrars,  
 17 or paying or other agents and specify their rights,  
 18 compensation, and duties, limit their liabilities, and  
 19 provide for their payment of liquidated damages in the event  
 20 of breach of certain of the duties imposed, which liquidated  
 21 damages may be made payable to a financial intermediary. No  
 22 trustee, transfer agent, registrar, paying or other agent  
 23 need have an office or do business within this state.

24 (2) An issuer may enter into agreements with custodian  
 25 banks and financial intermediaries, and nominees of any of

1 them, in connection with the establishment and maintenance  
 2 by others of a central depository system for the transfer or  
 3 pledge of public obligations. The custodian banks, financial  
 4 intermediaries, and nominees may, if qualified and acting as  
 5 fiduciaries, also serve as authenticating trustees, transfer  
 6 agents, registrars, or paying or other agents of the issuer  
 7 with respect to the same issue of public obligations.

8 Section 10. Costs -- collection. (1) An issuer, prior  
 9 to or at original issuance, may provide as a part of a  
 10 system of registration that the transferor or transferee of  
 11 the public obligations pay all or a designated part of the  
 12 costs of the system, that costs be paid out of the proceeds  
 13 of the public obligations, or that both methods be used. The  
 14 portion of the costs of the system not provided to be paid  
 15 by the transferor or transferee or out of proceeds is the  
 16 liability of the issuer.

17 (2) The issuer may as a part of the system provide for  
 18 reimbursement or for satisfaction of its liability by  
 19 payment by others. The issuer may enter into agreements with  
 20 others respecting reimbursement or payment, may establish  
 21 fees and charges pursuant to such agreements or otherwise,  
 22 and may provide that the amount or estimated amount of the  
 23 fees and charges must be reimbursed or paid from the same  
 24 sources and by means of the same collection and enforcement  
 25 procedures and with the same priority and effect as with

1 respect to the obligation.

2       Section 11. Deposits for security. Whenever under any  
3 law of this state a deposit of public obligations is  
4 authorized as security, public obligations otherwise meeting  
5 the authorized criteria may be deposited and must be  
6 accepted as security, provided that in the case of a  
7 certificated public obligation, the instrument is assigned  
8 to the holder of the deposit and in the case of an  
9 uncertificated public obligation, registration of a pledge  
10 is authorized by the system and the pledge of the  
11 uncertificated obligation is registered.

12       Section 12. Public records -- locations. (1) With  
13 regard to the ownership or pledge of public obligations,  
14 records are not subject to inspection or copying under any  
15 law of this state relating to the right of the public to  
16 inspect or copy public records.

17       (2) Registration records of the issuer may be  
18 maintained at locations inside or outside this state  
19 determined by the issuer.

20       Section 13. Applicability -- election -- rescission.  
21 (1) Public obligations may be issued as certificated or  
22 uncertificated public obligations as provided in [this act],  
23 notwithstanding provisions of law providing for issuance in  
24 other forms. Whenever bonds are issued under [this act], the  
25 provisions of [this act] are alternative and supplemental to

1 such other provisions.

2       (2) Nothing in [this act] limits or prevents the  
3 issuance of obligations in any other form or manner  
4 authorized by law.

5       (3) The provisions of [this act] may be applied to  
6 obligations that have previously been approved by vote,  
7 referendum, or hearing, authorizing or permitting the  
8 authorization of obligations in bearer and registered form  
9 or in bearer form only, and such obligations need not be  
10 resubmitted for a further vote, referendum, or hearing for  
11 the purpose of authorizing or permitting the authorization  
12 of obligations in registered form only.

13       Section 14. Construction. [This act] must be construed  
14 in conjunction with the Uniform Commercial Code and the  
15 principles of contract law relative to the registration and  
16 transfer of obligations.

17       Section 15. Effective date. This act is effective July  
18 1, 1983.

-End-

Approved by Committee  
on State Administration

1 *Senator* BILL NO. 422  
2 INTRODUCED BY *Hallgren*

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE AND  
5 PROVIDE FOR THE ISSUANCE, EXECUTION, AUTHENTICATION, AND  
6 TRANSFER OF PUBLIC OBLIGATIONS IN REGISTERED FORM; AND  
7 PROVIDING AN EFFECTIVE DATE."

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9 WHEREAS, Congress has enacted the Tax Equity and Fiscal  
10 Responsibility Act of 1982 that requires, among other  
11 things, that all public obligations be issued in registered  
12 form if the interest earned on such obligations is to be  
13 exempt from the federal income tax; and

14 WHEREAS, Congress has extended from January 1, 1983, to  
15 July 1, 1983, the effective date of the Act insofar as it  
16 applies to the registration of public obligations for the  
17 purpose of allowing states, municipalities, and the  
18 commercial world to enact laws and ordinances and implement  
19 procedures to facilitate compliance with the law; and

20 WHEREAS, current Montana law does not provide for the  
21 issuance of most public obligations in a registered form;  
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23 WHEREAS, the inability of the state, local governments,  
24 school districts, or other governmental entities to issue  
25 registered bonds results in an inability to issue public

1 obligation bonds on which the interest earned is tax exempt;  
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3 WHEREAS, the ability to finance public improvements  
4 through the issuance of tax-exempt bonds is critical to the  
5 conduct of the public business.

6 THEREFORE, it is the intent of the Legislature to  
7 authorize the state, local governments, school districts,  
8 and other governmental entities to issue in a registered  
9 form the public obligations they are now authorized to  
10 issue.

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12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Short title. [This act] may be cited as the  
14 "Model Public Obligations Registration Act of Montana".

15 Section 2. Definitions. As used in [this act], the  
16 following definitions apply:

17 (1) (a) "Authorized officer" means, with respect to  
18 any certificated public obligation:

19 (i) an individual whose signature to the certificated  
20 public obligation is required or permitted; or

21 (ii) an individual whom an authorized officer may,  
22 either alone or with the concurrence of another or others,  
23 permit to affix his signature to the certificated public  
24 obligation and who is so permitted in writing by the  
25 authorized officer with any required concurrence.

(b) "Authorized officer" means, with respect to any uncertificated public obligation, any individual referred to in this subsection as an authorized officer with respect to a certificated public obligation of the same class or series.

(2) "Certificated public obligation" means an obligation that is:

(a) issued pursuant to a system of registration;

(b) represented by an instrument; and

(c) either one of a class or series or by its terms divisible into a class or series of obligations.

(3) "Code" means the Internal Revenue Code of 1954, as amended.

(4) "Facsimile seal" means the reproduction by engraving, imprinting, stamping, or other means of the seal of the issuer, official, or official body.

(5) "Facsimile signature" means the reproduction by engraving, imprinting, stamping, or other means of the manual signature of an authorized officer.

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(7) "Issuer" means a public entity that:

(a) executes a certificated public obligation to evidence its duty to perform an obligation represented by the certificated public obligation;

(b) undertakes to perform an obligation that is an uncertificated public obligation; or

(c) becomes responsible for or in place of a public entity described as an issuer in this subsection.

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(9) "Official actions" means the actions by statute, order, ordinance, resolution, contract, or other authorized means by which the issuer provides for issuance of a public obligation.

(10) "Official or official body" means the officer or body that is empowered under the laws of one or more states, including this state, to provide for original issuance of a public obligation of the issuer by defining the obligation and its terms, conditions, and other incidents; the successor or successors of any such official or official body; and such other person or group of persons as are assigned duties of such official or official body under applicable law from time to time.

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 2 agency that is empowered under the laws of one or more  
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 7 state, a political subdivision, a municipal corporation, a  
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12 (13) "Public obligation" means either a certificated or  
 13 an uncertificated public obligation.

14 (14) "System of registration" and its variants means a  
 15 plan:

16 (a) with respect to a certificated public obligation,  
 17 that provides that:

18 (i) the certificated public obligation specify a  
 19 person entitled to the public obligation or the rights it  
 20 represents; and

21 (ii) transfer of the certificated public obligation may  
 22 be registered upon books maintained for that purpose by or  
 23 on behalf of the issuer; and

24 (b) with respect to an uncertificated public  
 25 obligation, that provides that transfer of the

1 uncertificated public obligation be registered upon books  
 2 maintained for that purpose by or on behalf of the issuer.

3 (15) "Uncertificated public obligation" means an  
 4 obligation that is:

5 (a) issued pursuant to a system of registration;

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9 Section 3. Declarations of state interest -- purposes.

10 (1) Sections 103 and 103A of the code provide that interest  
 11 with respect to certain obligations may not be exempt from  
 12 the income tax if they are not in registered form. It is  
 13 therefore a matter of state concern that public entities be  
 14 authorized to provide for the issuance of obligations in  
 15 such form. It is a purpose of [this act] to authorize all  
 16 public entities to establish and maintain a system pursuant  
 17 to which obligations may be issued in registered form within  
 18 the meaning of sections 103 and 103A of the code.

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 20 bearer rather than in registered form, and a change from  
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 22 relationships, rights, and duties of issuers of and the  
 23 persons that deal with obligations and, by such effect, the  
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 25 varieties of obligations differently, depending on their

1 legal and financial characteristics, their markets, and  
2 their adaptability to recent and prospective technological  
3 and organizational developments. It is therefore a matter of  
4 state concern that public entities be provided flexibility  
5 in the development of systems of registration and control  
6 over system incidents, so as to accommodate differing  
7 impacts. It is a purpose of [this act] to provide for the  
8 establishment and maintenance, and amendment from time to  
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24 actions that provide for original issuance and in subsequent  
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2 program of the issuer that is established by the official or  
3 official body.

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5 which transfer of the public obligations is effective with  
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10 obligations in any denomination to represent several public  
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15 destruction, and other incidental matters.

16 (5) Under a system pursuant to which both certificated  
17 and uncertificated public obligations are issued, both types  
18 of public obligations may be regularly issued or one type  
19 may be regularly issued and the other type issued only under  
20 described circumstances or to particular described  
21 categories of owners. Under a system pursuant to which  
22 uncertificated public obligations are regularly issued  
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1 to amendments, discontinuances, and reinstitutions and the  
2 effect of such on the exemption of interest from the income  
3 tax provided for by the code.

4 (7) If the effect of a conversion from one of the  
5 forms of public obligations provided for in [this act] to a  
6 form not provided for in [this act] is that interest will  
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8 the code, [this act] does not preclude such conversion.

9 (8) To the extent not inconsistent with [this act],  
10 the rights provided by other laws with respect to  
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12 obligations in forms that may be used under [this act].

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14 -- authentication. (1) A certificated public obligation must  
15 be executed by the issuer by:

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17 manual signature of such officer; or

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21 addition to the signature or signatures of an authorized  
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14 (2) Any authorized officer employed to sign any  
15 certificated public obligation may adopt as and for the  
16 signature of the officer the signature of a predecessor in  
17 office in the event that such predecessor's signature  
18 appears on such certificated public obligation.

19 Section 7. Certificated public obligation -- seal.  
20 When a seal is required or permitted in the execution of any  
21 certificated public obligation, an authorized officer may  
22 cause the seal to be printed, engraved, stamped, or  
23 otherwise placed in facsimile thereon. The facsimile seal  
24 has the same legal effect as the impression of the seal.

25 Section 8. Uncertificated public obligation -- signed

1 statements. The issuer shall provide, with respect to its  
 2 uncertificated public obligations, for the sending of  
 3 written statements that provide a record of certain rights  
 4 as of the time of issuance of the statements. The statements  
 5 must be sent to each person acquiring rights by registration  
 6 in uncertificated public obligations, and the statements so  
 7 sent must be signed by an authorized officer or by a person  
 8 whose signature is required or permitted to be placed on a  
 9 certificated public obligation of the same class or series.  
 10 Statements, as such, confer no right on the recipient.  
 11 Statements are neither a negotiable instrument nor a  
 12 security.

13 Section 9. Agents -- depositories. (1) An issuer may  
 14 appoint for a term as may be agreed, including for so long  
 15 as a public obligation may be outstanding, corporate or  
 16 other authenticating trustees, transfer agents, registrars,  
 17 or paying or other agents and specify their rights,  
 18 compensation, and duties, limit their liabilities, and  
 19 provide for their payment of liquidated damages in the event  
 20 of breach of certain of the duties imposed, which liquidated  
 21 damages may be made payable to a financial intermediary. No  
 22 trustee, transfer agent, registrar, paying or other agent  
 23 need have an office or do business within this state.

24 (2) An issuer may enter into agreements with custodian  
 25 banks and financial intermediaries, and nominees of any of

1 them, in connection with the establishment and maintenance  
 2 by others of a central depository system for the transfer or  
 3 pledge of public obligations. The custodian banks, financial  
 4 intermediaries, and nominees may, if qualified and acting as  
 5 fiduciaries, also serve as authenticating trustees, transfer  
 6 agents, registrars, or paying or other agents of the issuer  
 7 with respect to the same issue of public obligations.

8 Section 10. Costs -- collection. (1) An issuer, prior  
 9 to or at original issuance, may provide as a part of a  
 10 system of registration that the transferor or transferee of  
 11 the public obligations pay all or a designated part of the  
 12 costs of the system, that costs be paid out of the proceeds  
 13 of the public obligations, or that both methods be used. The  
 14 portion of the costs of the system not provided to be paid  
 15 by the transferor or transferee or out of proceeds is the  
 16 liability of the issuer.

17 (2) The issuer may as a part of the system provide for  
 18 reimbursement or for satisfaction of its liability by  
 19 payment by others. The issuer may enter into agreements with  
 20 others respecting reimbursement or payment, may establish  
 21 fees and charges pursuant to such agreements or otherwise,  
 22 and may provide that the amount or estimated amount of the  
 23 fees and charges must be reimbursed or paid from the same  
 24 sources and by means of the same collection and enforcement  
 25 procedures and with the same priority and effect as with



1 respect to the obligation.

2 Section 11. Deposits for security. Whenever under any  
3 law of this state a deposit of public obligations is  
4 authorized as security, public obligations otherwise meeting  
5 the authorized criteria may be deposited and must be  
6 accepted as security, provided that in the case of a  
7 certificated public obligation, the instrument is assigned  
8 to the holder of the deposit and in the case of an  
9 uncertificated public obligation, registration of a pledge  
10 is authorized by the system and the pledge of the  
11 uncertificated obligation is registered.

12 Section 12. Public records -- locations. (1) With  
13 regard to the ownership or pledge of public obligations,  
14 records are not subject to inspection or copying under any  
15 law of this state relating to the right of the public to  
16 inspect or copy public records.

17 (2) Registration records of the issuer may be  
18 maintained at locations inside or outside this state  
19 determined by the issuer.

20 Section 13. Applicability -- election -- rescission.  
21 (1) Public obligations may be issued as certificated or  
22 uncertificated public obligations as provided in [this act],  
23 notwithstanding provisions of law providing for issuance in  
24 other forms. Whenever bonds are issued under [this act], the  
25 provisions of [this act] are alternative and supplemental to

1 such other provisions.

2 (2) Nothing in [this act] limits or prevents the  
3 issuance of obligations in any other form or manner  
4 authorized by law.

5 (3) The provisions of [this act] may be applied to  
6 obligations that have previously been approved by vote,  
7 referendum, or hearing, authorizing or permitting the  
8 authorization of obligations in bearer and registered form  
9 or in bearer form only, and such obligations need not be  
10 resubmitted for a further vote, referendum, or hearing for  
11 the purpose of authorizing or permitting the authorization  
12 of obligations in registered form only.

13 Section 14. Construction. [This act] must be construed  
14 in conjunction with the Uniform Commercial Code and the  
15 principles of contract law relative to the registration and  
16 transfer of obligations.

17 Section 15. Effective date. This act is effective July  
18 1, 1983.

-End-

1 *Spatter* BILL NO. 422  
2 INTRODUCED BY *Spatter*  
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE AND  
5 PROVIDE FOR THE ISSUANCE, EXECUTION, AUTHENTICATION, AND  
6 TRANSFER OF PUBLIC OBLIGATIONS IN REGISTERED FORM; AND  
7 PROVIDING AN EFFECTIVE DATE."

8  
9 WHEREAS, Congress has enacted the Tax Equity and Fiscal  
10 Responsibility Act of 1982 that requires, among other  
11 things, that all public obligations be issued in registered  
12 form if the interest earned on such obligations is to be  
13 exempt from the federal income tax; and

14 WHEREAS, Congress has extended from January 1, 1983, to  
15 July 1, 1983, the effective date of the Act insofar as it  
16 applies to the registration of public obligations for the  
17 purpose of allowing states, municipalities, and the  
18 commercial world to enact laws and ordinances and implement  
19 procedures to facilitate compliance with the law; and

20 WHEREAS, current Montana law does not provide for the  
21 issuance of most public obligations in a registered form;  
22 and

23 WHEREAS, the inability of the state, local governments,  
24 school districts, or other governmental entities to issue  
25 registered bonds results in an inability to issue public

1 obligation bonds on which the interest earned is tax exempt;  
2 and

3 WHEREAS, the ability to finance public improvements  
4 through the issuance of tax-exempt bonds is critical to the  
5 conduct of the public business.

6 THEREFORE, it is the intent of the Legislature to  
7 authorize the state, local governments, school districts,  
8 and other governmental entities to issue in a registered  
9 form the public obligations they are now authorized to  
10 issue.

11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Short title. [This act] may be cited as the  
14 "Model Public Obligations Registration Act of Montana".

15 Section 2. Definitions. As used in [this act], the  
16 following definitions apply:

17 (1) (a) "Authorized officer" means, with respect to  
18 any certificated public obligation:

19 (i) an individual whose signature to the certificated  
20 public obligation is required or permitted; or

21 (ii) an individual whom an authorized officer may,  
22 either alone or with the concurrence of another or others,  
23 permit to affix his signature to the certificated public  
24 obligation and who is so permitted in writing by the  
25 authorized officer with any required concurrence.

THIRD READING

(b) "Authorized officer" means, with respect to any uncertificated public obligation, any individual referred to in this subsection as an authorized officer with respect to a certificated public obligation of the same class or series.

(2) "Certificated public obligation" means an obligation that is:

(a) issued pursuant to a system of registration;

(b) represented by an instrument; and

(c) either one of a class or series or by its terms divisible into a class or series of obligations.

(3) "Code" means the Internal Revenue Code of 1954, as amended.

(4) "Facsimile seal" means the reproduction by engraving, imprinting, stamping, or other means of the seal of the issuer, official, or official body.

(5) "Facsimile signature" means the reproduction by engraving, imprinting, stamping, or other means of the manual signature of an authorized officer.

(6) "Financial intermediary" means a bank, broker, or clearing corporation or the nominee of any of them or other person or nominee which in the ordinary course of its business maintains public obligation accounts for its customers.

(7) "Issuer" means a public entity that:

(a) executes a certificated public obligation to evidence its duty to perform an obligation represented by the certificated public obligation;

(b) undertakes to perform an obligation that is an uncertificated public obligation; or

(c) becomes responsible for or in place of a public entity described as an issuer in this subsection.

(8) "Obligation" means an agreement of an issuer to pay principal and interest and includes a share, participation, or other interest in any such agreement.

(9) "Official actions" means the actions by statute, order, ordinance, resolution, contract, or other authorized means by which the issuer provides for issuance of a public obligation.

(10) "Official or official body" means the officer or body that is empowered under the laws of one or more states, including this state, to provide for original issuance of a public obligation of the issuer by defining the obligation and its terms, conditions, and other incidents; the successor or successors of any such official or official body; and such other person or group of persons as are assigned duties of such official or official body under applicable law from time to time.

(11) "Original issuance" means the first transfer of a public obligation by an issuer to a purchaser.

1 (12) "Public entity" means any entity, department, or  
 2 agency that is empowered under the laws of one or more  
 3 states, including this state, to issue obligations, any  
 4 interest with respect to which may under any provision of  
 5 law be provided an exemption from the income tax referred to  
 6 in the code. The term "public entity" may include this  
 7 state, a political subdivision, a municipal corporation, a  
 8 state university or college, a school district or other  
 9 special district, a joint agreement entity, a public  
 10 authority, a public trust, a nonprofit corporation, or other  
 11 organization.

12 (13) "Public obligation" means either a certificated or  
 13 an uncertificated public obligation.

14 (14) "System of registration" and its variants means a  
 15 plan:

16 (a) with respect to a certificated public obligation,  
 17 that provides that:

18 (i) the certificated public obligation specify a  
 19 person entitled to the public obligation or the rights it  
 20 represents; and

21 (ii) transfer of the certificated public obligation may  
 22 be registered upon books maintained for that purpose by or  
 23 on behalf of the issuer; and

24 (b) with respect to an uncertificated public  
 25 obligation, that provides that transfer of the

1 uncertificated public obligation be registered upon books  
 2 maintained for that purpose by or on behalf of the issuer.

3 (15) "Uncertificated public obligation" means an  
 4 obligation that is:

5 (a) issued pursuant to a system of registration;

6 (b) not represented by an instrument; and

7 (c) either one of a class or series or by its terms  
 8 divisible into a class or series of obligations.

9 Section 3. Declarations of state interest -- purposes.

10 (1) Sections 103 and 103A of the code provide that interest  
 11 with respect to certain obligations may not be exempt from  
 12 the income tax if they are not in registered form. It is  
 13 therefore a matter of state concern that public entities be  
 14 authorized to provide for the issuance of obligations in  
 15 such form. It is a purpose of [this act] to authorize all  
 16 public entities to establish and maintain a system pursuant  
 17 to which obligations may be issued in registered form within  
 18 the meaning of sections 103 and 103A of the code.

19 (2) Obligations have traditionally been issued in  
 20 bearer rather than in registered form, and a change from  
 21 bearer to registered form will significantly affect the  
 22 relationships, rights, and duties of issuers of and the  
 23 persons that deal with obligations and, by such effect, the  
 24 costs. Such effects will impact the various issuers and  
 25 varieties of obligations differently, depending on their

1 legal and financial characteristics, their markets, and  
2 their adaptability to recent and prospective technological  
3 and organizational developments. It is therefore a matter of  
4 state concern that public entities be provided flexibility  
5 in the development of systems of registration and control  
6 over system incidents, so as to accommodate differing  
7 impacts. It is a purpose of [this act] to provide for the  
8 establishment and maintenance, and amendment from time to  
9 time, of differing systems of registration of obligations,  
10 including system incidents, so as to accommodate the  
11 differing impacts upon issuers and varieties of obligations.

12 Section 4. System of registration. (1) Each issuer is  
13 authorized to establish and regularly maintain a system of  
14 registration with respect to each public obligation that it  
15 issues. The system may be either a system pursuant to which  
16 only certificated public obligations are issued or a system  
17 pursuant to which both certificated and uncertificated  
18 public obligations are issued. The issuer may discontinue  
19 and reinstitute either system from time to time.

20 (2) The system must be established and regularly  
21 maintained or amended, discontinued, or reinstituted for the  
22 issuer by the official or official body.

23 (3) The system must be described in the official  
24 actions that provide for original issuance and in subsequent  
25 official actions providing for amendments and other matters

1 from time to time. Such description may be by reference to a  
2 program of the issuer that is established by the official or  
3 official body.

4 (4) The system must define the method or methods by  
5 which transfer of the public obligations is effective with  
6 respect to the issuer, which method or methods are exclusive  
7 (substantial compliance being essential to a valid transfer)  
8 and by which payment of principal and any interest must be  
9 made. The system may permit the issuance of public  
10 obligations in any denomination to represent several public  
11 obligations of smaller denominations. The system may also  
12 provide for the form of any certificated public obligations,  
13 for differing record and payment dates, for varying  
14 denominations, and for accounting, canceled certificate  
15 destruction, and other incidental matters.

16 (5) Under a system pursuant to which both certificated  
17 and uncertificated public obligations are issued, both types  
18 of public obligations may be regularly issued or one type  
19 may be regularly issued and the other type issued only under  
20 described circumstances or to particular described  
21 categories of owners. Under a system pursuant to which  
22 uncertificated public obligations are regularly issued  
23 provisions may be made for registration of pledges and  
24 releases.

25 (6) The system may include covenants of the issuer as

to amendments, discontinuances, and reinstitutions and the effect of such on the exemption of interest from the income tax provided for by the code.

(7) If the effect of a conversion from one of the forms of public obligations provided for in [this act] to a form not provided for in [this act] is that interest will continue to be exempt from the income tax provided for by the code, [this act] does not preclude such conversion.

(8) To the extent not inconsistent with [this act], the rights provided by other laws with respect to obligations in other forms must be provided with respect to obligations in forms that may be used under [this act].

Section 5. Certificated public obligation -- execution -- authentication. (1) A certificated public obligation must be executed by the issuer by:

(a) the signing by an authorized officer with the manual signature of such officer; or

(b) the signing by such officer with a facsimile signature in lieu of the manual signature of such officer.

(2) Each certificated public obligation may, in addition to the signature or signatures of an authorized officer or officers, have placed upon it a certificate or certificates as authenticating trustee, registrar, transfer agent, or the like. Such certificate may be signed by the manual signature of an individual or by a facsimile

signature in lieu of a manual signature, provided that at least one certificate is signed by a manual signature.

(3) The certificated public obligation must bear the manual signature of either:

(a) an authorized officer as defined in [section 2]; or

(b) a person described in subsection (2).

Section 6. Certificated public obligation -- signatures. (1) No certificated public obligation signed by the authorized officers at the time of the signing is invalid or without binding effect even though before the issuance thereof any or all of such officers have ceased to fill their respective offices.

(2) Any authorized officer employed to sign any certificated public obligation may adopt as and for the signature of the officer the signature of a predecessor in office in the event that such predecessor's signature appears on such certificated public obligation.

Section 7. Certificated public obligation -- seal. When a seal is required or permitted in the execution of any certificated public obligation, an authorized officer may cause the seal to be printed, engraved, stamped, or otherwise placed in facsimile thereon. The facsimile seal has the same legal effect as the impression of the seal.

Section 8. Uncertificated public obligation -- signed

1 statements. The issuer shall provide, with respect to its  
 2 uncertificated public obligations, for the sending of  
 3 written statements that provide a record of certain rights  
 4 as of the time of issuance of the statements. The statements  
 5 must be sent to each person acquiring rights by registration  
 6 in uncertificated public obligations, and the statements so  
 7 sent must be signed by an authorized officer or by a person  
 8 whose signature is required or permitted to be placed on a  
 9 certificated public obligation of the same class or series.  
 10 Statements, as such, confer no right on the recipient.  
 11 Statements are neither a negotiable instrument nor a  
 12 security.

13 Section 9. Agents -- depositories. (1) An issuer may  
 14 appoint for a term as may be agreed, including for so long  
 15 as a public obligation may be outstanding, corporate or  
 16 other authenticating trustees, transfer agents, registrars,  
 17 or paying or other agents and specify their rights,  
 18 compensation, and duties, limit their liabilities, and  
 19 provide for their payment of liquidated damages in the event  
 20 of breach of certain of the duties imposed, which liquidated  
 21 damages may be made payable to a financial intermediary. No  
 22 trustee, transfer agent, registrar, paying or other agent  
 23 need have an office or do business within this state.

24 (2) An issuer may enter into agreements with custodian  
 25 banks and financial intermediaries, and nominees of any of

1 them, in connection with the establishment and maintenance  
 2 by others of a central depository system for the transfer or  
 3 pledge of public obligations. The custodian banks, financial  
 4 intermediaries, and nominees may, if qualified and acting as  
 5 fiduciaries, also serve as authenticating trustees, transfer  
 6 agents, registrars, or paying or other agents of the issuer  
 7 with respect to the same issue of public obligations.

8 Section 10. Costs -- collection. (1) An issuer, prior  
 9 to or at original issuance, may provide as a part of a  
 10 system of registration that the transferor or transferee of  
 11 the public obligations pay all or a designated part of the  
 12 costs of the system, that costs be paid out of the proceeds  
 13 of the public obligations, or that both methods be used. The  
 14 portion of the costs of the system not provided to be paid  
 15 by the transferor or transferee or out of proceeds is the  
 16 liability of the issuer.

17 (2) The issuer may as a part of the system provide for  
 18 reimbursement or for satisfaction of its liability by  
 19 payment by others. The issuer may enter into agreements with  
 20 others respecting reimbursement or payment, may establish  
 21 fees and charges pursuant to such agreements or otherwise,  
 22 and may provide that the amount or estimated amount of the  
 23 fees and charges must be reimbursed or paid from the same  
 24 sources and by means of the same collection and enforcement  
 25 procedures and with the same priority and effect as with

1 respect to the obligation.

2 Section 11. Deposits for security. Whenever under any  
3 law of this state a deposit of public obligations is  
4 authorized as security, public obligations otherwise meeting  
5 the authorized criteria may be deposited and must be  
6 accepted as security, provided that in the case of a  
7 certificated public obligation, the instrument is assigned  
8 to the holder of the deposit and in the case of an  
9 uncertificated public obligation, registration of a pledge  
10 is authorized by the system and the pledge of the  
11 uncertificated obligation is registered.

12 Section 12. Public records -- locations. (1) With  
13 regard to the ownership or pledge of public obligations,  
14 records are not subject to inspection or copying under any  
15 law of this state relating to the right of the public to  
16 inspect or copy public records.

17 (2) Registration records of the issuer may be  
18 maintained at locations inside or outside this state  
19 determined by the issuer.

20 Section 13. Applicability -- election -- rescission.  
21 (1) Public obligations may be issued as certificated or  
22 uncertificated public obligations as provided in [this act],  
23 notwithstanding provisions of law providing for issuance in  
24 other forms. Whenever bonds are issued under [this act], the  
25 provisions of [this act] are alternative and supplemental to

1 such other provisions.

2 (2) Nothing in [this act] limits or prevents the  
3 issuance of obligations in any other form or manner  
4 authorized by law.

5 (3) The provisions of [this act] may be applied to  
6 obligations that have previously been approved by vote,  
7 referendum, or hearing, authorizing or permitting the  
8 authorization of obligations in bearer and registered form  
9 or in bearer form only, and such obligations need not be  
10 resubmitted for a further vote, referendum, or hearing for  
11 the purpose of authorizing or permitting the authorization  
12 of obligations in registered form only.

13 Section 14. Construction. [This act] must be construed  
14 in conjunction with the Uniform Commercial Code and the  
15 principles of contract law relative to the registration and  
16 transfer of obligations.

17 Section 15. Effective date. This act is effective July  
18 1, 1983.

-End-



SENATE BILL 422  
AMENDMENTS  
STATE ADMINISTRATION COMMITTEE  
MARCH 9, 1983

1. Page 3, line 20.

Strike: "or"

2. Page 3, line 21.

Following: "corporation"

Insert: ", or trust company"

SENATE BILL NO. 422  
INTRODUCED BY HALLIGAN

A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE AND PROVIDE FOR THE ISSUANCE, EXECUTION, AUTHENTICATION, AND TRANSFER OF PUBLIC OBLIGATIONS IN REGISTERED FORM; AND PROVIDING AN EFFECTIVE DATE."

WHEREAS, Congress has enacted the Tax Equity and Fiscal Responsibility Act of 1982 that requires, among other things, that all public obligations be issued in registered form if the interest earned on such obligations is to be exempt from the federal income tax; and

WHEREAS, Congress has extended from January 1, 1983, to July 1, 1983, the effective date of the Act insofar as it applies to the registration of public obligations for the purpose of allowing states, municipalities, and the commercial world to enact laws and ordinances and implement procedures to facilitate compliance with the law; and

WHEREAS, current Montana law does not provide for the issuance of most public obligations in a registered form; and

WHEREAS, the inability of the state, local governments, school districts, or other governmental entities to issue registered bonds results in an inability to issue public

obligation bonds on which the interest earned is tax exempt; and

WHEREAS, the ability to finance public improvements through the issuance of tax-exempt bonds is critical to the conduct of the public business.

THEREFORE, it is the intent of the Legislature to authorize the state, local governments, school districts, and other governmental entities to issue in a registered form the public obligations they are now authorized to issue.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Short title. [This act] may be cited as the "Model Public Obligations Registration Act of Montana".

Section 2. Definitions. As used in [this act], the following definitions apply:

(1) (a) "Authorized officer" means, with respect to any certificated public obligation:

(i) an individual whose signature to the certificated public obligation is required or permitted; or

(ii) an individual whom an authorized officer may, either alone or with the concurrence of another or others, permit to affix his signature to the certificated public obligation and who is so permitted in writing by the authorized officer with any required concurrence.

1 (b) "Authorized officer" means, with respect to any  
2 uncertificated public obligation, any individual referred to  
3 in this subsection as an authorized officer with respect to  
4 a certificated public obligation of the same class or  
5 series.

6 (2) "Certificated public obligation" means an  
7 obligation that is:

8 (a) issued pursuant to a system of registration;

9 (b) represented by an instrument; and

10 (c) either one of a class or series or by its terms  
11 divisible into a class or series of obligations.

12 (3) "Code" means the Internal Revenue Code of 1954, as  
13 amended.

14 (4) "Facsimile seal" means the reproduction by  
15 engraving, imprinting, stamping, or other means of the seal  
16 of the issuer, official, or official body.

17 (5) "Facsimile signature" means the reproduction by  
18 engraving, imprinting, stamping, or other means of the  
19 manual signature of an authorized officer.

20 (5) "Financial intermediary" means a bank, broker, or  
21 clearing corporation, OR TRUST COMPANY or the nominee of any  
22 of them or other person or nominee which in the ordinary  
23 course of its business maintains public obligation accounts  
24 for its customers.

25 (7) "Issuer" means a public entity that:

1 (a) executes a certificated public obligation to  
2 evidence its duty to perform an obligation represented by  
3 the certificated public obligation;

4 (b) undertakes to perform an obligation that is an  
5 uncertificated public obligation; or

6 (c) becomes responsible for or in place of a public  
7 entity described as an issuer in this subsection.

8 (8) "Obligation" means an agreement of an issuer to  
9 pay principal and interest and includes a share,  
10 participation, or other interest in any such agreement.

11 (9) "Official actions" means the actions by statute,  
12 order, ordinance, resolution, contract, or other authorized  
13 means by which the issuer provides for issuance of a public  
14 obligation.

15 (10) "Official or official body" means the officer or  
16 body that is empowered under the laws of one or more states,  
17 including this state, to provide for original issuance of a  
18 public obligation of the issuer by defining the obligation  
19 and its terms, conditions, and other incidents; the  
20 successor or successors of any such official or official  
21 body; and such other person or group of persons as are  
22 assigned duties of such official or official body under  
23 applicable law from time to time.

24 (11) "Original issuance" means the first transfer of a  
25 public obligation by an issuer to a purchaser.

1 (12) "Public entity" means any entity, department, or  
 2 agency that is empowered under the laws of one or more  
 3 states, including this state, to issue obligations, any  
 4 interest with respect to which may under any provision of  
 5 law be provided an exemption from the income tax referred to  
 6 in the code. The term "public entity" may include this  
 7 state, a political subdivision, a municipal corporation, a  
 8 state university or college, a school district or other  
 9 special district, a joint agreement entity, a public  
 10 authority, a public trust, a nonprofit corporation, or other  
 11 organization.

12 (13) "Public obligation" means either a certificated or  
 13 an uncertificated public obligation.

14 (14) "System of registration" and its variants means a  
 15 plan:

16 (a) with respect to a certificated public obligation,  
 17 that provides that:

18 (i) the certificated public obligation specify a  
 19 person entitled to the public obligation or the rights it  
 20 represents; and

21 (ii) transfer of the certificated public obligation may  
 22 be registered upon books maintained for that purpose by or  
 23 on behalf of the issuer; and

24 (b) with respect to an uncertificated public  
 25 obligation, that provides that transfer of the

1 uncertificated public obligation be registered upon books  
 2 maintained for that purpose by or on behalf of the issuer.

3 (15) "Uncertificated public obligation" means an  
 4 obligation that is:

5 (a) issued pursuant to a system of registration;

6 (b) not represented by an instrument; and

7 (c) either one of a class or series or by its terms  
 8 divisible into a class or series of obligations.

9 Section 3. Declarations of state interest -- purposes.

10 (1) Sections 103 and 103A of the code provide that interest  
 11 with respect to certain obligations may not be exempt from  
 12 the income tax if they are not in registered form. It is  
 13 therefore a matter of state concern that public entities be  
 14 authorized to provide for the issuance of obligations in  
 15 such form. It is a purpose of [this act] to authorize all  
 16 public entities to establish and maintain a system pursuant  
 17 to which obligations may be issued in registered form within  
 18 the meaning of sections 103 and 103A of the code.

19 (2) Obligations have traditionally been issued in  
 20 bearer rather than in registered form, and a change from  
 21 bearer to registered form will significantly affect the  
 22 relationships, rights, and duties of issuers of and the  
 23 persons that deal with obligations and, by such effect, the  
 24 costs. Such effects will impact the various issuers and  
 25 varieties of obligations differently, depending on their

1 legal and financial characteristics, their markets, and  
2 their adaptability to recent and prospective technological  
3 and organizational developments. It is therefore a matter of  
4 state concern that public entities be provided flexibility  
5 in the development of systems of registration and control  
6 over system incidents, so as to accommodate differing  
7 impacts. It is a purpose of [this act] to provide for the  
8 establishment and maintenance, and amendment from time to  
9 time, of differing systems of registration of obligations,  
10 including system incidents, so as to accommodate the  
11 differing impacts upon issuers and varieties of obligations.

12 Section 4. System of registration. (1) Each issuer is  
13 authorized to establish and regularly maintain a system of  
14 registration with respect to each public obligation that it  
15 issues. The system may be either a system pursuant to which  
16 only certificated public obligations are issued or a system  
17 pursuant to which both certificated and uncertificated  
18 public obligations are issued. The issuer may discontinue  
19 and reinstitute either system from time to time.

20 (2) The system must be established and regularly  
21 maintained or amended, discontinued, or reinstituted for the  
22 issuer by the official or official body.

23 (3) The system must be described in the official  
24 actions that provide for original issuance and in subsequent  
25 official actions providing for amendments and other matters

1 from time to time. Such description may be by reference to a  
2 program of the issuer that is established by the official or  
3 official body.

4 (4) The system must define the method or methods by  
5 which transfer of the public obligations is effective with  
6 respect to the issuer, which method or methods are exclusive  
7 (substantial compliance being essential to a valid transfer)  
8 and by which payment of principal and any interest must be  
9 made. The system may permit the issuance of public  
10 obligations in any denomination to represent several public  
11 obligations of smaller denominations. The system may also  
12 provide for the form of any certificated public obligations,  
13 for differing record and payment dates, for varying  
14 denominations, and for accounting, canceled certificate  
15 destruction, and other incidental matters.

16 (5) Under a system pursuant to which both certificated  
17 and uncertificated public obligations are issued, both types  
18 of public obligations may be regularly issued or one type  
19 may be regularly issued and the other type issued only under  
20 described circumstances or to particular described  
21 categories of owners. Under a system pursuant to which  
22 uncertificated public obligations are regularly issued  
23 provisions may be made for registration of pledges and  
24 releases.

25 (6) The system may include covenants of the issuer as

to amendments, discontinuances, and reinstitutions and the effect of such on the exemption of interest from the income tax provided for by the code.

(7) If the effect of a conversion from one of the forms of public obligations provided for in [this act] to a form not provided for in [this act] is that interest will continue to be exempt from the income tax provided for by the code, [this act] does not preclude such conversion.

(8) To the extent not inconsistent with [this act], the rights provided by other laws with respect to obligations in other forms must be provided with respect to obligations in forms that may be used under [this act].

Section 5. Certificated public obligation -- execution -- authentication. (1) A certificated public obligation must be executed by the issuer by:

(a) the signing by an authorized officer with the manual signature of such officer; or

(b) the signing by such officer with a facsimile signature in lieu of the manual signature of such officer.

(2) Each certificated public obligation may, in addition to the signature or signatures of an authorized officer or officers, have placed upon it a certificate or certificates as authenticating trustee, registrar, transfer agent, or the like. Such certificate may be signed by the manual signature of an individual or by a facsimile

signature in lieu of a manual signature, provided that at least one certificate is signed by a manual signature.

(3) The certificated public obligation must bear the manual signature of either:

(a) an authorized officer as defined in [section 2]; or

(b) a person described in subsection (2).

Section 6. Certificated public obligation -- signatures. (1) No certificated public obligation signed by the authorized officers at the time of the signing is invalid or without binding effect even though before the issuance thereof any or all of such officers have ceased to fill their respective offices.

(2) Any authorized officer employed to sign any certificated public obligation may adopt as and for the signature of the officer the signature of a predecessor in office in the event that such predecessor's signature appears on such certificated public obligation.

Section 7. Certificated public obligation -- seal. When a seal is required or permitted in the execution of any certificated public obligation, an authorized officer may cause the seal to be printed, engraved, stamped, or otherwise placed in facsimile thereon. The facsimile seal has the same legal effect as the impression of the seal.

Section 8. Uncertificated public obligation -- signed

1 statements. The issuer shall provide, with respect to its  
 2 uncertificated public obligations, for the sending of  
 3 written statements that provide a record of certain rights  
 4 as of the time of issuance of the statements. The statements  
 5 must be sent to each person acquiring rights by registration  
 6 in uncertificated public obligations, and the statements so  
 7 sent must be signed by an authorized officer or by a person  
 8 whose signature is required or permitted to be placed on a  
 9 certificated public obligation of the same class or series.  
 10 Statements, as such, confer no right on the recipient.  
 11 Statements are neither a negotiable instrument nor a  
 12 security.

13 Section 9. Agents -- depositories. (1) An issuer may  
 14 appoint for a term as may be agreed, including for so long  
 15 as a public obligation may be outstanding, corporate or  
 16 other authenticating trustees, transfer agents, registrars,  
 17 or paying or other agents and specify their rights,  
 18 compensation, and duties, limit their liabilities, and  
 19 provide for their payment of liquidated damages in the event  
 20 of breach of certain of the duties imposed, which liquidated  
 21 damages may be made payable to a financial intermediary. No  
 22 trustee, transfer agent, registrar, paying or other agent  
 23 need have an office or do business within this state.

24 (2) An issuer may enter into agreements with custodian  
 25 banks and financial intermediaries, and nominees of any of

1 them, in connection with the establishment and maintenance  
 2 by others of a central depository system for the transfer or  
 3 pledge of public obligations. The custodian banks, financial  
 4 intermediaries, and nominees may, if qualified and acting as  
 5 fiduciaries, also serve as authenticating trustees, transfer  
 6 agents, registrars, or paying or other agents of the issuer  
 7 with respect to the same issue of public obligations.

8 Section 10. Costs -- collection. (1) An issuer, prior  
 9 to or at original issuance, may provide as a part of a  
 10 system of registration that the transferor or transferee of  
 11 the public obligations pay all or a designated part of the  
 12 costs of the system, that costs be paid out of the proceeds  
 13 of the public obligations, or that both methods be used. The  
 14 portion of the costs of the system not provided to be paid  
 15 by the transferor or transferee or out of proceeds is the  
 16 liability of the issuer.

17 (2) The issuer may as a part of the system provide for  
 18 reimbursement or for satisfaction of its liability by  
 19 payment by others. The issuer may enter into agreements with  
 20 others respecting reimbursement or payment, may establish  
 21 fees and charges pursuant to such agreements or otherwise,  
 22 and may provide that the amount or estimated amount of the  
 23 fees and charges must be reimbursed or paid from the same  
 24 sources and by means of the same collection and enforcement  
 25 procedures and with the same priority and effect as with

1 respect to the obligation.

2 Section 11. Deposits for security. Whenever under any  
3 law of this state a deposit of public obligations is  
4 authorized as security, public obligations otherwise meeting  
5 the authorized criteria may be deposited and must be  
6 accepted as security, provided that in the case of a  
7 certificated public obligation, the instrument is assigned  
8 to the holder of the deposit and in the case of an  
9 uncertificated public obligation, registration of a pledge  
10 is authorized by the system and the pledge of the  
11 uncertificated obligation is registered.

12 Section 12. Public records -- locations. (1) With  
13 regard to the ownership or pledge of public obligations,  
14 records are not subject to inspection or copying under any  
15 law of this state relating to the right of the public to  
16 inspect or copy public records.

17 (2) Registration records of the issuer may be  
18 maintained at locations inside or outside this state  
19 determined by the issuer.

20 Section 13. Applicability -- election -- rescission.  
21 (1) Public obligations may be issued as certificated or  
22 uncertificated public obligations as provided in [this act],  
23 notwithstanding provisions of law providing for issuance in  
24 other forms. Whenever bonds are issued under [this act], the  
25 provisions of [this act] are alternative and supplemental to

1 such other provisions.

2 (2) Nothing in [this act] limits or prevents the  
3 issuance of obligations in any other form or manner  
4 authorized by law.

5 (3) The provisions of [this act] may be applied to  
6 obligations that have previously been approved by vote,  
7 referendum, or hearing, authorizing or permitting the  
8 authorization of obligations in bearer and registered form  
9 or in bearer form only, and such obligations need not be  
10 resubmitted for a further vote, referendum, or hearing for  
11 the purpose of authorizing or permitting the authorization  
12 of obligations in registered form only.

13 Section 14. Construction. [This act] must be construed  
14 in conjunction with the Uniform Commercial Code and the  
15 principles of contract law relative to the registration and  
16 transfer of obligations.

17 Section 15. Effective date. This act is effective July  
18 1, 1983.

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