SENATE BILL NO. 422

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March 21, 1983

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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.
Manah 10 1083	Committee recommend bill be

March 10, 1983 March 10, 1983 March 19, 1983 Committee recommend bill be concurred in as amended. Report adopted. Second reading, concurred in.

Third reading, concurred in.

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I.

IN THE SENATE

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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.

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INTRODUCED BY Hally 1 2 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 *d*HEREAS, current Montana law does not provide for the
21 issuance of most public obligations in a registered form;
22 and

H4EREAS, the inability of the state, local governments;
school districts, or other governmental entities to issue
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 obligacion:

(i) an individual whose signature to the certificatedpublic 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.

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1 (a) executes a certificated public obligation to (b) "Authorized officer" means, with respect to any 2 evidence its duty to perform an obligation represented by uncertificated public obligation, any individual referred to 3 the certificated public obligation: in this subsection as an authorized officer with respect to (b) undertakes to perform an obligation that is an 4 a certificated public obligation of the same class or 5 uncertificated public obligation; or series. (c) becomes responsible for or in place of a public (2) "Certificated public obligation" 6 means an 7 entity described as an issuer in this subsection. obligation that is: 8 (8) "Obligation" means an agreement of an issuer to (a) issued pursuant to a system of registration; 9 pay principal and interest and includes a share, (b) represented by an instrument; and 10 participation, or other interest in any such agreement. (c) either one of a class or series or by its terms 11 (9) "Official actions" means the actions by statute, divisible into a class or series of obligations. 12 order, ordinance, resolution, contract, or other authorized (3) "Code" means the Internal Revenue Code of 1954, as 13 means by which the issuer provides for issuance of a public amended. 14 obligation. (4) "Facsimile seal" means the reproduction by 15 (13) "Official or official body" means the officer or engraving, imprinting, stamping, or other means of the seal body that is empowered under the laws of one or more states, of the issuer, official, or official body. 16 17 including this state, to provide for original issuance of a (5) "Facsimile signature" means the reproduction by engraving, imprinting, stamping, or other means of the 18 public obligation of the issuer by defining the obligation manual signature of an authorized officer. 19 and its terms, conditions, and other incidents; the (6) "Financial intermediary" means a bank, broker, or 20 successor or successors of any such official or official clearing corporation or the nominee of any of them or other 21 body; and such other person or group of persons as are person or nominee which in the ordinary course of its 22 assigned duties of such official or official body under business maintains public obligation accounts for its 23 applicable law from time to time. customers. (11) "Original issuance" means the first transfer of a 24 (7) "Issuer" means a public entity that: 25 public obligation by an issuer to a purchaser.

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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 organization. 11

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

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

(b) with respect to an uncertificated publicobligation, that provides that transfer of the

uncertificated public obligation be registered upon books
 maintained for that purpose by or on behalf of the issuer.
 (15) "Uncertificated public obligation" means an
 obligation that is:

(a) issued pursuant to a system of registration;

(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.

Section 3. Declarations of state interest -- purposes. 9 [1] Sections 103 and 103A of the code provide that interest 10 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.

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

legal and financial characteristics, their markets, and 1 2 their adaptability to recent and prospective technological 3 and organizational developments. It is therefore a matter of state concern that public entities be provided flexibility 4 in the development of systems of registration and control 5 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 time, of differing systems of registration of obligations, 9 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.

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

from time to time. Such description may be by reference to a
 program of the issuer that is established by the official or
 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 **Z**0 described circumstances or to particular described categories of owners. Under a system pursuant to which 21 22 uncertificated public obligations are regularly issued 23 provisions may be made for registration of pledges and 24 releases.

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

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to amendments, discontinuances, and reinstitutions and the
 effect of such on the exemption of interest from the income
 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 the17 manual signature of such officer; or

(b) the signing by such officer with a facsimile 18 19 signature in lieu of the manual signature of such officer. (2) Each certificated public obligation may, in 20 addition to the signature or signatures of an authorized 21 officer or officers, have placed upon it a certificate or 22 23 certificates as authenticating trustee, registrar, transfer agent, or the like. Such certificate may be signed by the 24 25 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 (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

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

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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.

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

statements. The issuer shall provide, with respect to its L 2 uncertificated public obligations, for the sending of Э written statements that provide a record of certain rights as of the time of issuance of the statements. The statements 4 must be sent to each person acquiring rights by registration 5 6 in uncertificated public obligations, and the statements so sent must be signed by an authorized officer or by a person 7 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 of breach of certain of the duties imposed, which liquidated 20 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 Z 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 agents, registrars, or paying or other agents of the issuer 6 7 with respect to the same issue of public colligations. 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 baid 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

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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 authorized as security, public obligations otherwise meeting 4 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 9 to the holder of the deposit and in the case of an 9 uncertificated public obligation, registration of a pledge 10 authorized by the system and the pledge of the is uncertificated obligation is registered. 11

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

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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 obligations that have previously been approved by voter 6 7 referendum, or hearing, authorizing or permitting the 8 authorization of obligations in bearer and registered form or in bearer form only, and such obligations need not be 9 10 resubmitted for a further vote, referendum, or hearing for the purpose of authorizing or permitting the authorization 11 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.

Section 15. Effective date. This act is effective July1983.

+End+

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Approved by Committee on State AdminAstration

INTRODUCED BY Hally 1 2 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 19 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

HHEREAS, 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

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 HONTANA:

13 Section 1. Short title. [This act] may be cited as the

14 "Model Public Obligations Registration Act of Montana".

Section 2. Definitions. As used in [this act], the 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 certificated20 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.

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(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.

6 (?) "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.

(5) "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.

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

I (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 public7 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.

(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.

15 (10) "Official or official body" means the officer or 16 body that is empowered under the laws of one or more states, including this state, to provide for original issuance of a 17 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.

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

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

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

(b) with respect to an uncertificated publicobligation, that provides that transfer of the

uncertificated public obligation be registered upon books
 maintained for that purpose by or on behalf of the issuer.
 (15) "Uncertificated public obligation" means an
 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
B divisible into a class or series of obligations.

Section 3. Declarations of state interest -- purposes. 9 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 authorized to provide for the issuance of obligations in 14 15 such form. It is a purpose of [this act] to authorize all public entities to establish and maintain a system pursuant 16 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

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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 issues. The system may be either a system pursuant to which 15 only certificated public obligations are issued or a system 16 17 pursuant to which both certificated and uncertificated public obligations are issued. The issuer may discontinue 18 and reinstitute either system from time to time. 19

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

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

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

4 (4) The system must define the method or methods by 5 which transfer of the public obligations is effective with respect to the issuer, which method or methods are exclusive 6 7 (substantial compliance being essential to a valid transfer) and by which payment of principal and any interest must be 8 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 of public obligations may be regularly issued or one type 18 19 may be regularly issued and the other type issued only under described circumstances or to particular described 20 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.

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

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to amendments, discontinuances, and reinstitutions and the
 effect of such on the exemption of interest from the income
 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

(b) the signing by such officer with a facsimile 18 19 signature in lieu of the manual signature of such officer. 20 (2) Each certificated public obligation may, in addition to the signature or signatures of an authorized 21 22 officer or officers, have placed upon it a certificate or 23 certificates as authenticating trustee, registrar, transfer adent. or the like, Such certificate may be signed by the 24 25 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 (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

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

7

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 15 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.

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.

25 Section 8. Uncertificated public obligation -- signed

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Ł 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 as of the time of issuance of the statements. The statements 4 must be sent to each person acquiring rights by registration 5 5 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. compensation, and duties, limit their liabilities, and 18 19 provide for their payment of liquidated damages in the event of breach of certain of the duties imposed, which liquidated 20 damages may be made payable to a financial intermediary. No 21 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

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

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 portion of the costs of the system not provided to be paid 14 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 reinbursement 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 **Z4** sources and by means of the same collection and enforcement 25 procedures and with the same priority and effect as with

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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 authorized as security, public obligations otherwise meeting 4 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 to the holder of the deposit and in the case of an 8 9 uncertificated public obligation, registration of a pledge 19 authorized by the system and the pledge of the is uncertificated obligation is registered. 11

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.

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

17Section 15. Effective date. This act is effective July181, 1983.

-End-

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INTRODUCED BY Hally 1 2 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; 22 and

23 HMEREAS, 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.

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.

11

12 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".

15 Section Z. 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:

(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.

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(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

6 (2) "Certificated public obligation" means 7 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 abligations.

12: (3): "Code" means the Internal Revenue Code of 1954, as 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 engravings imprintings stampings or other means of the
19 manual signature of an authorized officers.

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

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(F) "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;

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

(c) becomes responsible for or in place of a public 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.

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

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

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(12) "Public entity" means any entity, department, or 1 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 law be provided an exemption from the income tax referred to 5 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

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

24 (b) with respect to an uncertificated public25 obligation, that provides that transfer of the

uncertificated public obligation be registered upon books
 maintained for that purpose by or on behalf of the issuer.
 (15) "Uncertificated public obligation" means an
 obligation that is:

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

(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 to which obligations may be issued in registered form within 17 18 the meaning of sections 103 and 103A of the code.

19 (2) Deligations 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

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1 legal and financial characteristics, their markets, and 2 their adaptability to recent and prospective technological and organizational developments. It is therefore a matter of 3 4 state concern that public entitles be provided flexibility 5 in the development of systems of registration and control over system incidents, so as to accommodate differing б impacts. It is a purpose of [this act] to provide for the 7 establishment and maintenance, and amendment from time to 8 time, of differing systems of registration of obligations, 9 including system incidents, so as to accommodate the 10 differing impacts upon issuers and varieties of obligations. 11 Section 4. System of registration. (1) Each issuer is 12 authorized to establish and regularly maintain a system of 13 14 registration with respect to each public obligation that it issues. The system may be either a system pursuant to which 15 only certificated public obligations are issued or a system 16 17 pursuant to which both certificated and uncertificated 18 public obligations are issued. The issuer may discontinue and reinstitute either system from time to time. 19

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.

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

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from time to time. Such description may be by reference to a
 program of the issuer that is established by the official or
 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) and by which payment of principal and any interest must be 8 9 made. The system may permit the issuance of public 10 obligations in any denomination to represent several public obligations of smaller denominations. The system may also 11 provide for the form of any certificated public obligations. 12 13 for differing record and payment dates, for varying denominations, and for accounting, canceled certificate 14 destruction, and other incidental matters. 15

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

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

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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.

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 signature in lieu of the manual signature of such officer. 19 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 signature in lieu of a manual signature, provided that at
 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 15 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.

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

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

Section 9. Agents -- depositories. (1) An issuer may 13 appoint for a term as may be agreed, including for so long 14 as a public obligation may be outstanding, corporate or 15 other authenticating trustees, transfer agents, registrars, 16 or paying or other agents and specify their rights, 17 compensation, and duties, limit their liabilities, and 18 provide for their payment of liquidated damages in the event 19 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

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

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

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

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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 authorized as security, public obligations otherwise meeting 4 5 the authorized criteria may be deposited and must be accepted as security, provided that in the case of a 5 7 certificated public obligation, the instrument is assigned 8 to the holder of the deposit and in the case of an uncertificated public obligation, registration of a pledge 9 is authorized by the system and the pledge of the 10 uncertificated obligation is registered. 11

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.

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

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 July18 1, 1983.

+End-

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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"

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1	SENATE BILL NO. 422	1	obligation bonds on which the interest earned is tax exempt;
2	INTRODUCED BY HALLIGAN	2	and
3		3	₩#EREAS, the ability to finance public improvements
4	A BILL FOR AN ACT ENTITLED: " AN ACT TO AUTHORIZE AND	4	through the issuance of tax-exempt bonds is critical to the
5	PROVIDE FOR THE ISSUANCE, EXECUTION, AUTHENTICATION, AND	5	conduct of the public business.
6	TRANSFER OF PUBLIC OBLIGATIONS IN REGISTERED FORM; AND	6	THEREFORE, it is the intent of the Legislature to
7	PROVIDING AN EFFECTIVE DATE."	7	authorize the state, local governments, school districts,
8		8	and other governmental entities to issue in a registered
9	WHEREAS, Congress has enacted the Tax Equity and Fiscal	9	form the public obligations they are now authorized to
10	Responsibility Act of 1982 that requires, among other	10	i ssue.
11	things, that all public obligations be issued in registered	11	
12	form if the interest earned on such obligations is to be	12	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
13	exempt from the federal income tax; and	13	Section 1. Short title. [This act] may be cited as the
14	WHEREAS, Congress has extended from January 1, 1983, to	14	"Node} Public Obligations Registration Act of Montana".
15	July 1, 1983, the effective date of the Act insofar as it	15	Section 2. Definitions. As used in [this act], the
16	applies to the registration of public obligations for the	16	following definitions apply:
17	purpose of allowing states, municipalities, and the	17	 (a) "Authorized officer" means, with respect to
18	commercial world to enact laws and ordinances and implement	18	any certificated public obligation:
19	procedures to facilitate compliance with the law; and	19	(i) an individual whose signature to the certificated
20	WHEREAS, current Montana law does not provide for the	20	public obligation is required or permitted; or
21	issuance of most public obligations in a registered form;	21	(ii) an individual whom an authorized officer may,
22	and	22	either alone or with the concurrence of another or others,
23	HHEREAS, the inability of the state, local governments,	23	permit to affix his signature to the certificated public
24	school districts, or other governmental entities to issue	24	obligation and who is so permitted in writing by the
25	registered bonds results in an inability to issue public	25	authorized officer with any required concurrence.

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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

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

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

(5) "Financial intermediary" means a bank, broker, or
clearing corporation<u>* OR_TRUST_COMPANY</u> 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:

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(a) executes a certificated public obligation to 1 2 evidence its duty to perform an obligation represented by the certificated public obligation; 3 (b) undertakes to perform an obligation that is an 4 uncertificated public obligation; or 5 (c) becomes responsible for or in place of a public 6 7 entity described as an issuer in this subsection. (8) "Obligation" means an agreement of an issuer to 8 pay principal and interest and includes a share, 9 participation, or other interest in any such agreement. 10 (9) "Official actions" means the actions by statute, 11 order, ordinance, resolution, contract, or other authorized 12 13 means by which the issuer provides for issuance of a public 14 obligation. (10) "Official or official body" means the officer or 15 body that is empowered under the laws of one or more states, 16 17 including this state, to provide for original issuance of a 18 public obligation of the issuer by defining the obligation and its terms, conditions, and other incidents; the 19 successor or successors of any such official or official 20

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.

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

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

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

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

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

(1i) transfer of the certificated public obligation may 21 be registered upon books maintained for that purpose by or 22 23 on behalf of the issuer; and

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

uncertificated public obligation be registered upon books 1 maintained for that purpose by or on behalf of the issuer. 3 (15) "Uncertificated public obligation" means an obligation that is:

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

(b) not represented by an instrument; and

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

9 Saction 3. Declarations of state interest -- purposes. (1) Sections 103 and 103A of the code provide that interest 10 11 with respect to certain obligations may not be exempt from the income tax if they are not in registered form. It is 12 therefore a matter of state concern that public entities be 13 14 authorized to provide for the issuance of obligations in 15 such form. It is a purpose of [this act] to authorize all public entities to establish and maintain a system pursuant 16 to which obligations may be issued in registered form within 17 19 the meaning of sections 103 and 103A of the code.

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

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legal and financial characteristics, their markets, and 1 2 their adaptability to recent and prospective technological 3 and organizational developments. It is therefore a matter of state concern that public entities be provided flexibility 4 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 time, of differing systems of registration of obligations, 9 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.

(2) The system must be established and regularly
maintained or amended, discontinued, or reinstituted for the
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

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

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

(5) Under a system pursuant to which both certificated 15 and uncertificated public obligations are issued, both types 17 of public obligations may be regularly issued or one type 18 may be regularly issued and the other type issued only under 19 described circumstances or to particular described 20 categories of owners. Under a system pursuant to which 21 uncertificated public obligations are regularly issued 22 provisions way be made for registration of pledges and 23 24 releases.

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

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

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

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

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. (2) Each certificated public obligation may, in 20 addition to the signature or signatures of an authorized 21 22 officer or officers, have placed upon it a certificate or 23 certificates as authenticating trustee, registrar, transfer agent, or the like. Such certificate may be signed by the 24 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 manual signature of either: 4 5 (a) an authorized officer as defined in [section 2]; 6 or 7 (b) a person described in subsection (2). obligation 8 Section 6. Certificated public 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. (2) Any authorized officer employed to sign any 14 15 certificated public obligation may adopt as and for the 16 signature of the officer the signature of a predecessor in office in the event that such predecessor's signature 17 18 appears on such certificated public obligation. 19 Section 7. Certificate1 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

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1 statements. The issuer shall provide, with respect to its uncertificated public obligations, for the sending of 2 3 written statements that provide a record of certain rights as of the time of issuance of the statements. The statements 4 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 whose signature is required or permitted to be placed on a 8 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

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them, in connection with the establishment and maintenance by attars of a central depository system for the transfer or pledge of public obligations. The custodian banks, financial intermediaries, and nominees may, if qualified and acting as fiduciaries, also serve as authenticating trustees, transfer agents, registrars, or paying or other agents of the issuer 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 system of registration that the transferor or transferee of 10 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

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1 respect to the obligation.

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Section 11. Deposits for security. Whenever under any 2 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 accepted as security, provided that in the case of a 6 7 certificated public obligation, the instrument is assigned to the holder of the deposit and in the case of an 3 9 uncertificated public obligation, registration of a pledge is authorized by the system and the pledge of the 10 uncertificated obligation is registered. 11

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 authorization of obligations in bearer and registered form 8 9 or in bearer form only, and such obligations need not be resubmitted for a further vote, referendum, or hearing for 10 the purpose of authorizing or permitting the authorization 11 of obligations in registered form only. 12

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.

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

-End-

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