

# MAINE STATE LEGISLATURE

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FIRST SPECIAL SESSION

ONE HUNDRED AND FIFTH LEGISLATURE

Legislative Document

No. 1882

S. P. 701

In Senate, January 24, 1972

The Committee on Legal Affairs suggested.

HARRY N. STARBRANCH, Secretary

Presented by Senator Dunn of Oxford.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-TWO

**AN ACT to Create the Maine Municipal Bond Bank.**

Be it enacted by the People of the State of Maine, as follows:

R. S., T. 30, c. 241, sub-c. II, Art. 3-A, additional. Subchapter II of chapter 241 of Title 30 of the Revised Statutes, as amended, is further amended by adding a new article 3-A, to read as follows:

**ARTICLE 3-A. MAINE MUNICIPAL BOND BANK**

§ 5161. Title

This article shall be known as, and may be cited as, the "Maine Municipal Bond Bank Act."

§ 5162. Declaration of necessity

It is declared to be in the public interest and to be the policy of the State of Maine to foster and promote by all reasonable means the provision of adequate capital markets and facilities for borrowing money by counties, cities, towns, school administrative districts, community school districts, quasi-municipal corporations and for the financing of their respective public improvements and other municipal purposes within the State from proceeds of bonds or notes issued by such governmental units, and to assist such governmental units in fulfilling their needs for such purposes by use of creation of indebtedness and to the extent possible to reduce costs of indebtedness to taxpayers and residents of the State and to encourage continued investor interest in the purchase of bonds or notes of such governmental units as sound and preferred securities for investment. It is in the public interest and is the policy of the State to encourage its governmental units to con-

tinue their independent undertakings of public improvements and other municipal purposes and the financing thereof and to assist them therein by making funds available at reduced interest costs for orderly financing of such purposes especially during periods of restricted credit or money supply, particularly for those governmental units not otherwise able to borrow for such purposes. It is further declared that current credit and municipal bond market conditions require the exercise of the powers of the State in the interest of its governmental units to further and implement such policies by authorizing a state instrumentality to be created as a body corporate and politic to have full powers to borrow money and to issue its bonds and notes to make funds available through the facilities of such instrumentality at reduced rates and on more favorable terms for borrowing by such governmental units through the purchase by such instrumentality of the bonds or notes of such governmental units in fully marketable form and by granting broad powers to such instrumentality to accomplish and to carry out the aforesaid policies of the State which are in the public interest of the State and of its taxpayers and residents.

#### § 5163. Definitions

The following words or terms as used in this Act shall have the following meanings unless a different meaning clearly appears from the context:

1. Act. "Act" means the Act creating the Maine Municipal Bond Bank.
2. Bank or bond bank. "Bank" or "bond bank" means the Maine Municipal Bond Bank created by section 5164.
3. Bondholder or holder or noteholder. "Bondholder" or "holder" or "noteholder" or any similar term when used with reference to a bond or note of the bank means any person who shall be the bearer of any outstanding bond or note of the bank registered to bearer or not registered, or the registered owner of any outstanding bond or note of the bank which shall at the time be registered other than to bearer.
4. Bonds. "Bonds" means bonds of the bank issued pursuant to this Act.
5. Fully marketable form. "Fully marketable form" means a municipal security duly executed and accompanied by an approving legal opinion of a bond counsel of recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, provided that the municipal security so executed need not be printed or lithographed nor be in more than one denomination.
6. General fund. "General fund" means the fund created or established as provided in section 5172.
7. Governmental unit. "Governmental unit" means any county, city, town, school administrative district, community school district or other quasi-municipal corporation within the State.
8. Municipal security. "Municipal security" means a bond or note or evidence of debt for the payment of which the personal property of the resi-

dents and the real estate within the boundaries of the governmental unit may be taken, but shall not include any bond or note or evidence of debt issued by any other state or any public body or municipal corporation thereof.

9. Notes. "Notes" means any notes of the bank issued pursuant to this Act.

10. Required debt service reserve. "Required debt service reserve" means the amount required to be on deposit in the reserve fund as prescribed by section 5171.

11. Reserve fund. "Reserve fund" means the Maine Municipal Bond Bank Reserve Fund created or established as provided in section 5171.

12. Revenues. "Revenues" means all fees, charges, moneys, profits, payments of principal of or interest on municipal securities and other investments, gifts, grants, contributions, appropriations and all other income derived or to be derived by the bank under this Act.

13. State. "State" means the State of Maine.

#### § 5164. Creation of bank and membership

There is established a public body corporate and politic, to be known as the "Maine Municipal Bond Bank." The bank is constituted as an instrumentality of the State exercising public and essential governmental functions, and the exercise by the bank of the powers conferred by this Act shall be deemed and held to be an essential governmental function of the State.

The bank shall consist of a board of commissioners of the following 5 commissioners: The Treasurer of State who shall be a commissioner ex officio, the Commissioner of Finance and Administration who shall also be a commissioner ex officio, and 3 commissioners appointed by the Governor, with the advice and consent of the Council, for terms of 3 years, provided that the 3 commissioners appointed by the Governor shall be residents of the State, and that initial appointments shall be one for one year, one for 2 years and one for 3 years. Each commissioner shall hold office for the term of his appointment and until his successor shall have been appointed and qualified. A commissioner shall be eligible for reappointment. Any vacancy in the office of commissioner occurring other than by expiration of term shall be filled by appointment but for the unexpired term only.

Each commissioner may be removed from office by the Governor, for cause, after a public hearing, and may be suspended by the Governor, pending the completion of such hearing. Each commissioner before entering upon his duties shall take and subscribe on oath to perform the duties of office faithfully, impartially and justly to the best of his ability. A record of such oaths shall be filed in the office of the Secretary of State.

The board of commissioners shall elect one of its members as chairman, one as vice-chairman and shall appoint an executive director who shall also serve as both secretary and treasurer. The powers of the bank shall be vested in the commissioners thereof in office from time to time and 3 com-

missioners of the bank shall constitute a quorum at any meeting thereof. Action may be taken and motions and resolutions adopted by the bank at any meeting thereof by the affirmative vote of at least 3 commissioners of the bank. No vacancy in the office of commissioner of the bank shall impair the right of a quorum of the commissioners to exercise all the powers and perform all the duties of the bank.

Before the issuance of any bonds or notes under this Act, each commissioner of the bank shall execute a surety bond in the penal sum of \$25,000 and the executive director of the bank shall execute a surety bond in the penal sum of \$50,000, each such surety bond to be conditioned upon the faithful performance of the duties of the office of such commissioner or executive director, as the case may be, to be executed by a surety company authorized to transact business in the State as surety and to be approved by the Attorney General and filed in the office of the Secretary of State. At all times after the issuance of any bonds or notes by the bank, each commissioner of the bank and the executive director shall maintain such surety bonds in full force and effect. All costs of such surety bonds shall be borne by the bank.

Commissioners shall receive no compensation for the performance of their duties under this Act but each commissioner shall be reimbursed for his reasonable expenses incurred in carrying out such duties under this Act. Notwithstanding any other law, no officer or employee of the State shall be deemed to have forfeited or shall forfeit his office or employment or any benefits or emoluments thereof by reason of his acceptance of the office of commissioner of the bank or his services therein.

The executive director may employ upon approval of the board of commissioners a general counsel, architects, engineers, accountants, attorneys, financial advisors or experts and all such other or different officers, agents and employees as may be required and determine their qualifications, terms of office, duties and compensation. The board of commissioners shall fix the duties and compensation of the executive director.

#### § 5165. Lending and borrowing powers generally

The bank, for the purposes authorized by this Act, is authorized and empowered to lend money to governmental units through the purchase by the bank of municipal securities of governmental units in fully marketable form. The bank, for the purposes authorized by this Act, is authorized and empowered to authorize and issue its bonds and notes payable solely from the revenues or funds therefor available to the bank, and to otherwise assist governmental units as provided in this Act.

Bonds and notes of the bank issued under this Act shall not be in any way a debt or liability of the State and shall not constitute a loan of the credit of the State or create any debt or debts, liability or liabilities on behalf of the State or be or constitute a pledge of the faith and credit of the State but all such bonds and notes, unless funded or refunded by bond or notes of the bank, shall be payable solely from revenues or funds pledged or available for their payment as authorized in this Act. Each bond and note shall contain on its face a statement to the effect that the bank is obligated to pay

such principal or interest and redemption premium, if any, and that neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on such bonds or notes.

All expenses incurred in carrying out the purposes of this Act shall be payable solely from revenues or funds provided or to be provided under this Act and nothing in this Act shall be construed to authorize the bank to incur any indebtedness or liability on behalf of or payable by the State.

§ 5166. Corporate powers

1. Powers. The bank is constituted a public body corporate and politic and an instrumentality of the State and shall have perpetual succession and for carrying out the purposes of this Act, shall have the following powers:

A. To sue and be sued;

B. To adopt and have an official seal and alter the same at pleasure;

C. To make and enforce bylaws, rules and regulations for the conduct of its affairs and business and for use of its services and facilities;

D. To maintain an office at such place or places within the State as it may determine;

E. To acquire, hold, use and dispose of its income, revenue, funds and moneys;

F. To acquire, rent, lease, hold, use and dispose of other personal property for its purposes;

G. To borrow money and to issue its negotiable bonds or notes and to provide for and secure the payment thereof and to provide for the rights of the holders thereof, and to purchase, hold and dispose of any of its bonds or notes;

H. To fix and revise from time to time and charge and collect fees and charges for the use of its services or facilities;

I. To accept gifts or grants of property, funds, money, materials, labor, supplies or services from the United States of America or the State or any other state or agencies or departments thereof, or from any governmental unit or any person, firm or corporation, and to carry out the terms or provisions or make agreements with respect to any such gifts or grants, and to do any and all things necessary, useful, desirable or convenient in connection with procurement, acceptance or disposition of such gifts or grants;

J. To do and perform any acts and things authorized by this Act under, through or by means of its officers, agents or employees or by contracts with any person, firm or corporation;

K. To make, enter into and enforce all contracts or agreements necessary, convenient or desirable for the purposes of the bank or pertaining to any loan to a governmental unit or any purchase or sale of municipal securities

or other investments or to the performance of its duties and execution or carrying out of any of its powers under this Act ;

L. To purchase or hold municipal securities of governmental units at such prices and in such manner as the bank shall deem advisable, and to sell municipal securities acquired or held by it at such prices without relation to cost and in such manner as the bank shall deem advisable ;

M. To invest any funds or moneys of the bank not then required for loan to governmental units and for the purchase of municipal securities in the same manner as permitted for investment of funds belonging to the State or held in the State Treasury, except as otherwise permitted or provided by this Act ;

N. To fix and prescribe any form of application or procedure to be required of a governmental unit for the purpose of any loan or the purchase of its municipal securities, and to fix the terms and conditions of any such loan or purchase and to enter into agreements with governmental units with respect to any such loan or purchase ; and

O. To do all acts and things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in this Act.

#### § 5167. Prohibited acts and limitation of powers

Under this section the bank may not :

1. Loans. Make loans of money to any person, firm or corporation other than a governmental unit or purchase securities issued by any person, firm or corporation other than a governmental unit or for investment except as provided in this Act, or

2. Banking business. Emit bills of credit, or accept deposits of money for time or demand deposit, or administer trust, or engage in any form or manner in, or in the conduct of, any private or commercial banking business, or act as a savings bank or savings and loan association, or

3. Bank and trust company. Be or constitute a bank or trust company within the jurisdiction or under the control of the Department of Banks and Banking of the State, or the Bank Commissioner thereof, or the comptroller of the currency of the United States of America or the Department of the Treasury thereof, or

Nothing contained in this Act shall be construed to authorize or to empower the bank to be or to constitute a dealer in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States of America or of the State or of any other state or jurisdiction, domestic or foreign.

#### § 5168. Bonds and notes of the bank

The bank shall have the power and is authorized from time to time to issue its bonds in such principal amounts as it shall deem necessary to provide funds for any purposes authorized by this Act including the making of loans,

the payment, funding or refunding of the principal of, or interest or redemption premiums on, any bonds issued by it whether the bonds or interest to be funded or refunded have or have not become due or subject to redemption prior to maturity in accordance with their terms, the establishment or increase of such reserves to secure or to pay such bonds or interest thereon and all other costs or expenses of the bank incident to and necessary or convenient to carry out its corporate purposes and powers.

Except as may be otherwise expressly provided in this Act or by the bank, every issue of bonds shall be general obligations of the bank payable out of any revenues or funds of the bank, subject only to any agreements with the holders of particular bonds pledging any particular revenues or funds. Any such bonds may be additionally secured by a pledge of any grants, subsidies, contributions, funds or moneys from the United States of America or the State or any governmental unit or any person, firm or corporation or a pledge of any income or revenues, funds or moneys of the bank from any source whatsoever.

The bank shall have the power and is authorized to issue its notes for any corporate purpose of the bank from time to time, in such principal amounts as it shall deem necessary and to renew or pay and retire or refund such notes from the proceeds of bonds or of other notes, or from any other funds or moneys of the bank available or to be made available for such purpose in accordance with any contract between the bank and the holders of the notes and not otherwise pledged. The notes shall be issued in the same manner as bonds and such notes and the resolution or resolutions authorizing the same may contain any provisions, conditions or limitations which the bonds or a bond resolution of the bank may contain. Unless provided otherwise in any contract between the bank and the holders of notes, and unless such notes shall have been otherwise paid, funded or refunded, the proceeds of any bonds of the bank issued, among other things, to fund such outstanding notes, shall be held, used and applied by the bank to the payment and retirement of the principal of such notes and the interest due and payable thereon. The bank shall have power to make contracts for the future sale from time to time of the notes, pursuant to which the purchaser shall be committed to purchase the notes from time to time on terms and conditions stated in the contracts, and the bank shall have power to pay such consideration as it shall decree proper for such commitments.

Whether or not the bonds or notes of the bank are of such form and character as to be negotiable instruments under the Uniform Commercial Code, Article 8, the bonds and notes shall be and are made negotiable instruments within the meaning of and for all the purposes of the Uniform Commercial Code, Article 8, subject only to the provisions of the bonds and notes for registration.

Bonds or notes of the bank shall be authorized by resolution of the bank and may be issued in one or more series and shall bear such date or dates, mature at such time or times, bear interest at such rate or rates of interest per year, be in such denomination or denominations, be in such form, either coupon or registered, carry such conversion or registration privileges, have



such rank or priority, be executed in such manner, be payable from such sources in such medium of payment at such place or places within or without the State, and be subject to such terms of redemption, with or without premium, as such resolution or resolutions may provide.

Bonds or notes of the bank may be sold at public or private sale at such time or times and at such price or prices as the bank shall determine.

Bonds or notes of the bank may be issued under this Act without obtaining the consent of any department, division, commission, board, bureau or agency of the State, and without any other proceeding or the happening of any other conditions or things than those proceedings, conditions or things which are specifically required by this Act.

The bank may from time to time issue its notes as provided under this Act and pay and retire or fund or refund such notes from proceeds of bonds or of other notes, or from any other funds or moneys of the bank available or to be made available for such purpose in accordance with any contract between the bank and the holder of the notes. Unless provided otherwise in any contract between the bank and the holders of notes, and unless such notes shall have been otherwise paid, funded or refunded, the proceeds of any bonds of the bank issued among other things, to fund such outstanding notes, shall be held, used and applied by the bank to the payments and retirement of the principal of such notes and the interest due and payable thereon.

#### § 5169. Resolutions and indentures

In any resolution of the bank authorizing or relating to the issuance of any bonds or notes, the bank, in order to secure the payment of such bonds or notes and in addition to its other powers, shall have power by provisions therein which shall constitute covenants by the bank and contracts with the holders of such bonds or notes to enter into any trust agreement or trust indenture with a corporate trustee, which may be any trust company or national banking association or state bank having the powers of a trust company within or without the State. Such trust agreement, indenture or the resolution providing for the issuance of such bonds or notes may pledge or assign the revenues of the bank, and may contain such provisions for protecting and enforcing the rights and remedies of the holders of such bonds and notes as may be reasonable and proper and not in violation of law, including the custody, safeguarding and application of all moneys. Any such trust agreement may set forth the rights and remedies of the holders of the bonds and notes and of the trustee, and may restrict the individual right of action by such holders. The bank may provide by such trust indenture for the payment of the proceeds of the bonds and notes and the revenues to the trustee under such trust indenture or other depository, and for the method of disbursement thereof, with such safeguards and restrictions as it may determine. All expenses incurred in carrying out such trust indenture may be treated as a part of the operating expenses of the bank. If the bonds shall be secured by a trust indenture, the bondholders shall have no authority to appoint a separate trustee to represent them.

**§ 5170. Intent of pledge**

Any pledge of revenue or other moneys made by the bank shall be valid and binding from time to time when the pledge is made. The revenues or other moneys so pledged and thereafter received by the bank shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the bank, irrespective of whether such parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be filed or recorded, except in the records of the bank.

**§ 5171. Reserve fund**

1. Reserve fund. The bank shall establish and maintain a reserve fund called the "Maine Municipal Bond Bank Reserve Fund" in which there shall be deposited all moneys appropriated by the State for the purpose of such fund, all proceeds of bonds required to be deposited therein by terms of any contract between the bank and its bondholders or any resolution of the bank with respect to such proceeds of bonds, any other moneys or funds of the bank which it determines to deposit therein and any other moneys made available to the bank only for the purposes of such fund from any other source or sources. Moneys in the reserve fund shall be held and applied solely to the payment of the interest on and principal of bonds and sinking fund payments mentioned in this Act with respect to bonds as the same shall become due and payable and for the retirement of bonds, including payment of any redemption premium required to be paid when any bonds are redeemed or retired prior to maturity and shall not be withdrawn therefrom if such withdrawal would reduce the amount in the reserve fund to an amount less than the required debt service reserve, as defined, except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and sinking fund payments mentioned in this Act and for the retirement of bonds in accordance with the terms of any contract between the bank and its bondholders and for the payments on account of which interest or principal or sinking fund payments or retirement of bonds other moneys of the bank are not then available in accordance with the terms of any such contract. As used in this Act "required debt service reserve" means, as of any date of computation, the amount or amounts required to be on deposit in the reserve fund as provided by resolution of the bank. Required debt service reserve shall be, as of any date of computation, an aggregate amount equal to at least the largest amount of money, required by the terms of all contracts between the bank and its bondholders to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of that portion of outstanding bonds the proceeds of which were applied solely to the purchase of municipal securities and sinking fund payments required by the terms of any such contracts to sinking funds established for the payment or redemption of such bonds, all calculated on the assumption that such bonds will cease to be outstanding after the date of such computation by reason of the payment of such bonds at their respective maturities and the payments of such required moneys to

sinking funds and the application thereof in accordance with the terms of all such contracts to the retirement of such bonds.

2. Transfer. Moneys in said fund at any time in excess of the required debt service reserve, whether by reason of investment or otherwise, may be withdrawn at any time by the bank and transferred to any other fund or account of the bank.

3. Investment. Moneys at any time in the reserve fund may be invested in the same manner as permitted for investment of funds belonging to the State or held in the treasury.

4. Reserve. Notwithstanding any other provision contained in this Act, no bonds shall be issued by the bank unless there is in the reserve fund the required debt service reserve for all bonds then issued and outstanding and the bonds to be issued, provided that nothing in this Act shall prevent or preclude the bank from satisfying the foregoing requirement by depositing so much of the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve the required debt service reserve. The bank may at any time issue its bonds or notes for the purpose of providing any amount necessary to increase the amount in the reserve fund to the required debt service reserve, or to meet such higher or additional reserve as may be fixed by the bank with respect to such fund.

5. Restoration. In order to assure the maintenance of the required debt service reserve in the reserve fund, there shall be annually appropriated and paid to the bank for deposit in said fund, such sum, if any, as shall be certified by the chairman of the bank to the Governor, as necessary to restore said fund to an amount equal to the required debt service reserve. The chairman shall annually, on or before December 1st, make and deliver to the Governor his certificate stating the sum, if any, required to restore said fund to the amount aforesaid, and the sum or sums so certified shall be appropriated and paid to the bank during the then current state fiscal year.

6. Valuation. In computing the amount of the required debt service reserve, investments held as a part thereof shall be valued in the manner provided in the bond resolution.

#### § 5172. General fund

The bank shall establish and maintain a fund called the "general fund" which shall consist of and in which there shall be deposited fees received or charges made by the bank for use of its services or facilities, any moneys which the bank shall transfer thereto from the reserve fund pursuant to section 5171, subsection 2, moneys received by the bank as payments of principal of or interest on municipal securities purchased by the bank, or received as proceeds of sale of any municipal securities or investment obligations of the bank, or received as proceeds of sale of bonds or notes of the bank, and required under the terms of any resolution of the bank or contract with the holders of its bonds or notes to be deposited therein, any moneys required under the terms of any resolution of the bank or contract with the holders of its bonds or notes to be deposited therein, and any moneys transferred

thereto from any other fund or made available for the purpose of the general fund by the State or for the operating expenses of the bank. Any such moneys in the general fund may, subject to any contracts between the bank and its bondholders or noteholders, be transferred to the reserve fund, or if not so transferred, shall be used for the payment of the principal of or interest on bonds or notes of the bank when the same shall become due and payable, whether at maturity or upon redemption including payment of any premium upon redemption prior to maturity, and any moneys in the general fund may be used for the purchase of municipal securities and for all other purposes of the bank including payment of its operating expenses.

No amount shall be paid or expended out of the general fund or from any account therein, which account the bank may establish therein for the purpose of payment of its operating expenses, for operating expenses of the bank in any year in excess of the amount provided for the operating expenses of the bank by the annual budget then in effect with respect to such year or any amendment thereof in effect at the time of such payment or expenditure for operating expenses.

The bank may at any time use any available moneys in the general fund for the purchase of its bonds or notes or for the redemption thereof, and any such bonds purchased for retirement shall be thereupon cancelled.

The bank is authorized and empowered to create and establish in the general fund such accounts, subaccounts or special accounts which in the opinion of the bank are necessary, desirable or convenient for the purposes of the bank under this Act.

#### § 5173. Additional reserves and funds

The bank may establish such additional and further reserves or such other funds or accounts as may be, in its discretion, necessary, desirable or convenient to further the accomplishment of the purposes of the bank to comply with the provisions of any agreement made by or any resolution of the bank.

#### § 5174. Remedies of holders of bonds and notes

1. Trustee. In the event that the bank shall default in the payment of principal of or interest on any issue of bonds after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of 30 days, or in the event that the bank shall fail or refuse to comply with this Act or shall default in any agreement made with the holders of any issue of bonds, the holders of 25% in aggregate principal amount of bonds then outstanding, by instrument or instruments filed in the office of the clerk of courts of the County of Kennebec and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds for the purposes provided.

2. Duties of trustee. Such trustee may and upon written request of the holders of 25% in principal amount of all such bonds then outstanding shall, in his or its own name:

A. By mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the bondholders, including the right to require the bank to collect rates, charges and other fees and to collect interest and amortization payments on municipal securities held by it adequate to carry out any agreement as to, or pledge of, such rates, charges and other fees and of such interest and amortization payments and to require the bank to carry out any other agreements with the holders of such bonds and to perform its duties under this Act;

B. Bring suit upon such bonds;

C. By action or suit, require the bank to account as if it were the trustee of an express trust for the holders of such bonds;

D. By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds;

3. Additional powers of trustee. Such trustee shall in addition have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in this Act or incident to the general representation of bondholders in the enforcement and protection of their rights.

4. Jurisdiction. The Superior Court shall have jurisdiction of any suit, action or proceeding by the trustee on behalf of such bondholders. The venue of any such suit, action or proceeding shall be laid in the County of Kennebec.

5. Notice. Before declaring the principal of bonds due and payable, the trustee shall first give 30 days' notice in writing to the bank.

#### § 5175. Personal liability

Neither the commissioners of the bank nor any person executing bonds or notes issued pursuant to this Act shall be liable personally on such bonds or notes by reason of the issuance thereof.

#### § 5176. Purchase of bonds and notes of bank

The bank shall have power to purchase bonds or notes of the bank out of any funds or money of the bank available therefor. The bank may hold, cancel or resell such bonds or notes subject to and in accordance with agreements with holders of its bonds or notes.

#### § 5177. Bonds as legal investments and security

Notwithstanding any restrictions contained in any other law, the State and all public officers, governmental units and agencies thereof, all national banking associations, state banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes issued

by the bank pursuant to this Act, and such bonds or notes shall be authorized security for any and all public deposits.

§ 5178. Tax exemptions

All property of the bank and all bonds and notes issued under this Act shall be deemed to constitute essential public and governmental purposes and such property and such bonds and notes so issued, their transfer and the income therefrom, including any profits made on the sale thereof, shall at all times be exempt from taxation within the State.

§ 5179. Exemption of property from execution sale

All property of the bank shall be exempt from levy and sale by virtue of an execution and no execution or other judicial process shall issue against the same nor shall any judgment against the bank be a charge or lien upon its property; provided that nothing contained in this Act shall apply to or limit the rights of the holder of any bonds or notes to pursue any remedy for the enforcement of any pledge or lien given by the bank on its revenues or other moneys. Any action or proceeding in any court to set aside a resolution authorizing the issuance of bonds or notes by the bank under this Act or to obtain any relief upon the ground that such resolution is invalid must be commenced within 30 days after the adoption of said resolution by the bank. After the expiration of such period of limitation, no right of action or defense founded upon the invalidity of such resolution or any of its provisions shall be asserted nor shall the validity of such resolution or any of its provisions be open to question in any court on any ground whatever.

§ 5180. Insurance or guaranty

The bank is authorized and empowered to obtain from any department or agency of the United States of America or nongovernmental insurer any insurance or guaranty, to the extent now or hereafter available, as to, or of, or for, the payment or repayment of, interest or principal, or both, or any part thereof, on any bonds or notes issued by the bank, or on any municipal securities of governmental units purchased or held by the bank, pursuant to this Act; and notwithstanding any other provisions of this Act to enter into any agreement or contract whatsoever with respect to any such insurance or guaranty, except to the extent that the same would in any way impair or interfere with the ability of the bank to perform and fulfill the terms of any agreement made with the holders of the bonds or notes of the bank.

§ 5181. Federal aid

The Treasurer of State is authorized to receive from the United States of America or any department or agency thereof any amount of money as and when appropriated, allocated, granted, turned over or in any way provided for the purposes of the bank or this Act, and said amounts shall unless otherwise directed by federal authority be credited to and deposited in the general fund and be available to the bank.

Any funds or moneys in the custody or control of the Treasurer of State whether the same shall become available by reason of any grant, allocation

or appropriation by the United States of America or the State or agencies thereof to assist any governmental unit in payment of its municipal securities owned or held by the bank, or required by the terms of any other law to be paid to holders or owners of municipal securities upon failure or default of a governmental unit to pay the principal of or interest on its municipal securities as and when due and payable, shall, to the extent that any such funds or moneys be applicable with respect to municipal securities of a particular governmental unit which are then owned or held by the bank and as to which such governmental unit has failed or defaulted to make payment of principal or interest as and when due and payable be paid and deposited by the Treasurer of State in the general fund and made available to the bank.

The extent that the Treasurer of State shall be the custodian at any time of any funds or moneys due or payable to a governmental unit at any time subsequent to written notice to the Treasurer of State from the bank to the effect that such governmental unit has not paid or is in default as to the payment of principal of or interest on any municipal securities of such governmental unit then held or owned by the bank, the Treasurer of State shall withhold the payment of such funds or moneys from such governmental unit until the amount of such principal or interest then due and unpaid has been paid to the bank, or the Treasurer of State has been advised that arrangements, satisfactory to the bank, have been made for the payment of such principal and interest.

#### § 5182. Annual report

On or before the last day of December in each year the bank shall make an annual report of its activities for the preceding fiscal year to the Governor. Each such report shall set forth a complete operating and financial statement covering its operations during the year. The bank shall cause an audit of its books and accounts to be made at least once in each year by certified public accountants and the cost thereof shall be considered an expense of the bank and a copy thereof shall be filed with the Treasurer of State.

#### § 5183. Additional powers

In order to carry out the purposes and provisions of this Act the bank, in addition to any powers granted to it elsewhere in this Act, shall have the following powers:

1. **Loans.** In connection with any loan to a governmental unit, to consider the need, desirability or eligibility of such loan, the ability of such governmental unit to secure borrowed money from other sources and the costs thereof, and the particular public improvement or purpose to be financed by the municipal securities to be purchased by the bank.

2. **Charges.** To impose and collect charges for its costs and services in review or consideration of any proposed loan to a governmental unit or purchase of municipal securities of such governmental unit, and to impose and collect charges therefor whether or not such loan shall have been made or such municipal securities shall have been purchased;

3. Purchase. To fix and establish any and all terms and provisions with respect to any purchase of municipal securities by the bank, including dates and maturities of such bonds, provisions as to redemption or payment prior to maturity, and any and all other matters which in connection therewith are necessary, desirable or advisable in the judgment of the bank;

4. Hearings. To conduct examinations and hearings and to hear testimony and take proof, under oath or affirmation, at public or private hearings, on any matter material for its information and necessary to carry out this Act;

5. Subpoenas. To issue subpoenas requiring the attendance of witnesses and the production of books and papers pertinent to any hearing before the bank, or before one or more of the commissioners of the bank appointed by it to conduct such hearing;

6. Contempt. To apply to the Superior Court in the County of Kennebec, to have punished for contempt any witness who refuses to obey a subpoena, or who refuses to be sworn or affirmed to testify, or who is guilty of any contempt after summons to appear;

7. Insurance. To procure insurance against any losses in connection with its property, operations or assets in such amounts and from such amounts and from such insurers as it deems desirable; and

8. Modification. To the extent permitted under its contracts with the holders of bonds or notes of the bank, to consent to any modification with respect to rate of interests, time and payment of any installment of principal or interest, security or any other term of bond or note, contract or agreement of any kind to which the bank is a party.

#### § 5184. Undertakings of depositories

All national banking associations or state banks, trust companies, savings banks, investment companies and other persons carrying on a banking business are authorized to give to the bank a good and sufficient undertaking with such sureties as shall be approved by the bank to the effect that such national banking association or state bank or banking institution as described shall faithfully keep and pay over to the order of or upon the warrant of the bank or its authorized agent all such funds as may be deposited with it by the bank and agreed interest thereon under or by reason of this Act, at such times or upon such demands as may be agreed with the bank or in lieu of such sureties, deposit with the bank or its authorized agent or any trustee therefor or for the holders of any bonds, as collateral, such securities as the bank may approve. The deposits of the bank may be evidenced by an agreement in such form and upon such terms and conditions as may be agreed upon by the bank and such national banking association or state bank or banking institution.

#### § 5185. Purchase of municipal securities

Notwithstanding any general law or special Act or other statute applicable to or constituting any limitation on the maximum rate of interest per year



payable on bonds or notes, or as to annual interest cost to maturity of money borrowed or received upon issuance of bonds or notes, every governmental unit is authorized and empowered to contract to pay interest on, or an interest cost per year for, money borrowed from the bank and evidenced by its municipal securities purchased by the bank notwithstanding any statutory limitations as to rate of interest per year payable or as to annual interest cost to maturity of money borrowed by such governmental unit. Every governmental unit is authorized and empowered to contract with the bank with respect to such loan or purchase and such contract shall contain the terms and conditions of such loan or purchase. Every governmental unit is authorized and empowered to pay fees and charges required to be paid to the bank for its services. Notwithstanding any general or special Act or other statute applicable to or constituting any limitation on the sale of bonds or notes, any governmental unit may sell bonds or notes to the bank without limitation as to denomination and such bonds or notes may be fully registered, registerable as to principal only or in bearer form, may bear interest at such rate or rates all in accordance with this section, may be evidenced in such manner and may contain other provisions not inconsistent herewith, and may be sold to the bank without advertisement at such price or prices as may be determined, all as shall be provided in respect of the foregoing or other matters in the proceedings of the governing body of the governmental unit pursuant to which the bonds or notes are authorized to be issued. The governing body of the governmental unit may provide for the exchange of coupon bonds for fully registered bonds and of fully registered bonds for coupon bonds and for the exchange of any such bonds after issuance for bonds of larger or smaller denominations, all in such manner as may be provided in the proceedings authorizing their issuance, provided the bonds in changed form or denominations shall be exchanged for the surrendered bonds in the same aggregate principal amounts and in such manner that no overlapping interest is paid, and such bonds in changed form or denominations shall bear interest at the same rate or rates and shall mature on the same date or dates as the bonds for which they are exchanged. Where any exchange is made under this section the bonds surrendered by the holders at the time of the exchange shall be cancelled. The exchange shall be made only at the request of the holders of the bonds to be surrendered. The governmental unit may require all expenses incurred in connection with the exchange to be paid by the holders. In case any of the officers whose signatures appear on the bonds or coupons shall cease to be officers before the delivery of such bonds, such signatures shall be valid or sufficient for all purposes, the same as if they had remained in office.

#### § 5186. Remedies on default of municipal securities

Section 5053 shall apply in the event of default by a governmental unit in the payment of interest on or principal of any municipal securities owned or held by the bank as and when due and payable by said governmental unit.

#### § 5187. Purchase of anticipation notes

The bank may purchase notes of any governmental unit issued in anticipation of the sale of municipal securities in an amount not exceeding at any

one time outstanding the authorized amount of such municipal securities; the issue and sale of such anticipation notes to be in accordance with the laws applying to the governmental unit issuing such notes. In connection with any such purchase of anticipation notes, the bank may by agreement with such governmental unit impose such terms, conditions and limitations as in its opinion shall be proper in the circumstances and for the purposes and security of the bank and the holders of its bonds or notes, and the bank shall thereupon enforce all such rights, remedies and provisions of law as it shall have under this section or elsewhere in this Act provided or as otherwise provided by law.

#### § 5188. Budget

Not later than June 1st each year the bank shall prepare and file in the office of the Bureau of Budget a budget of its operating expenses for the ensuing fiscal year. Such budget shall be prepared on the basis of quarterly requirements so that it will be possible to determine from such budget the operating expenses for each quarter of the year, and shall set forth the general categories of anticipated expenditures and the amount on account of each, and shall include provision for reserve for contingencies and for over-expenditures. Such budget may set forth such additional material as the bank may determine.

#### § 5189. State services

All officers, departments, boards, agencies, divisions and commissions of the State are authorized and empowered to render any and all of such services to the bank as may be within the area of their respective governmental functions as fixed or established by law and as may be requested by the bank. All of such officers, departments, boards, agencies, divisions and commissioners are authorized and directed to comply promptly with any such reasonable request by the bank as to the making of any study or review as to desirability, need, cost or expense with respect to any such public project, purpose or improvement, or the financial feasibility thereof or the financial or fiscal responsibility or ability in connection therewith of any governmental unit making application for loan to the bank and for the purchase by the bank of municipal securities to be issued by such governmental unit. The cost and expense of any services requested by the bank shall, at the request of the officer, department, board, agency, division or commission rendering such service, be met and provided for by the bank.

#### § 5190. Agreements with financial institutions

The bank is authorized and empowered to enter into such agreements or contracts with any commercial banks, trust companies, banking or other financial institutions within or without the State as may be necessary, desirable or convenient in the opinion of the bank for rendering services to the bank in connection with the care, custody or safekeeping of municipal securities or other investments held or owned by the bank and services in connection with the payment or collection of amounts due and payable as to principal or interest, and for services in connection with the delivery to the

bank of municipal securities or other investments purchased by it or sold by it, and to pay the cost of such services. The bank is further authorized and empowered in connection with any of such services to be rendered by any such commercial banks, trust companies or banking or other financial institutions, as to the custody and safekeeping of any of its municipal securities or investments, to require security in the way of collateral bonds, surety agreements or security agreements in such form and in such amount as, in the opinion of the bank, is necessary or desirable for the purpose of the bank.

#### § 5191. Application of moneys

Money or investments in any fund or account of the bank established or held for any bonds, notes, indebtedness or liability to be paid, funded or refunded by issuance of bonds or notes shall, unless the resolution authorizing such bonds or notes provides otherwise, be applied to the payment or retirement of any such bonds, notes, indebtedness or liability, and to no other purpose. In the event that there shall be in any such fund or account any moneys in excess of the amount required for such payment, funding or refunding, such moneys may be removed from such fund or account but only to the extent that the moneys or investments thereafter remaining in such fund or account shall be not less than the outstanding bonds, notes, indebtedness or liability of the bank to be paid, funded or refunded and for which such fund or account was established or held.

#### § 5192. Form of municipal securities and investments

All municipal securities or other investments of moneys of the bank permitted or provided for under this Act shall at all times be purchased and held in fully marketable form, subject to provision for any registration in the name of the bank. All municipal securities at any time purchased, held or owned by the bank shall upon delivery to the bank be accompanied by documentation including approving bond opinion, certification and guaranty as to signatures, and certification as to absence of litigation, and such other or further documentation as shall from time to time be required in the municipal bond market.

#### § 5193. Presumption of validity

After issuance, all bonds or notes of the bank shall be conclusively presumed to be fully authorized and issued under the laws of the State, and any person or governmental unit shall be estopped from questioning their authorization, sale, issuance, execution or delivery by the bank.

To the extent that this Act is inconsistent with or in conflict with any private or special Act or the charter of any district or other quasi-municipal corporation, this Act shall be effective and such other private or special Act or charter of any district or other quasi-municipal corporation shall be of no force or effect. It is not intended that the general laws relating to municipalities, section 1901 et seq. shall be in any way affected by this Act.

#### § 5194. Liberal construction of Act

This Act shall be construed liberally to effectuate the legislative intent and the purposes of this Act as complete and independent authority for the per-

formance of each and every act and thing herein authorized and all powers granted in this Act shall be broadly interpreted to effectuate such intent and purposes and not as a limitation of powers.

§ 5195. Separability

If any section, subsection, paragraph, clause or provision of this Act shall be adjudged unconstitutional or to be ineffective in whole or in part, to the extent that it is not adjudged unconstitutional or is not ineffective, it shall be valid and effective and no other section, subsection, paragraph, clause or provision of this Act shall on account thereof be deemed invalid or ineffective, and the inapplicability or invalidity of any section, subsection, paragraph, clause or provision of this Act in any one or more instances or under any one or more circumstances shall not be taken to affect or prejudice in any way its applicability or validity in any other instance or under any other circumstances.

§ 5196. Conflict of interest

No commissioner of the bank shall participate in any decision on any contract entered into by the bank, if he has any pecuniary interest, direct or indirect in any firm, partnership, corporation or association which is or may be a party thereto.

Contracts or agreements obtained through properly advertised bid procedures, or the ownership of stock or other interest in any firm, partnership, corporation or association in which the commissioner does not actively participate in day to day management shall not be interpreted as a direct or indirect pecuniary interest in violation of this Act.

### STATEMENT OF FACT

The purpose of this bill is to assist counties, cities, towns, school administrative districts, community school districts and other quasi-municipal corporations in selling their bonds and notes at lower interest rates and on more favorable conditions through group sales by the bank than they could obtain by individual sales.

No appropriation to the Maine Municipal Bond Bank is needed to carry out the purposes of this Act.