

HOUSE BILL No. 5603

May 9, 2012, Introduced by Reps. Hovey-Wright, Daley, Glardon, Denby, Outman, Rendon, Santana, Segal, Brunner, Kurtz, Smiley, Ananich, Greimel, Talabi and Oakes and referred to the Committee on Agriculture.

A bill to create an agriculture innovation finance authority and prescribe its powers and duties; to provide for certain agriculture loan programs; to authorize the making of certain loan guarantees; to enhance value-added agricultural processing, commercialization of agriculture technologies, processes, or products, and farming operations within this state; to provide for the issuance and purchase of notes and bonds; to prescribe the powers and duties of certain state and local agencies and officials; and to prescribe penalties and provide remedies.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "agriculture innovation loan guarantee act".

3 Sec. 3. As used in this act:

1 (a) "Agricultural processing" means 1 or more operations that
2 transform, package, sort, or grade livestock or livestock products,
3 agricultural commodities, or plant or plant products into goods
4 that are used for intermediate or final consumption, including
5 goods for nonfood use.

6 (b) "Authority" means the agriculture innovation finance
7 authority created under section 5.

8 (c) "Beginning farmer" means a farmer who has 10 years or less
9 of farming experience as of the date the loan is originally made.

10 (d) "Board" means the board of directors of the Michigan
11 agriculture innovation finance authority.

12 (e) "Bond" means a bond issued by the authority pursuant to
13 this act.

14 (f) "Commercialization" means the transition from research to
15 the actions necessary to achieve market entry and general market
16 competitiveness of new innovative technologies, processes, and
17 products and the services that support, assist, equip, finance, or
18 promote a person or an entity with that transition.

19 (g) "Department" means the department of agriculture and rural
20 development.

21 (h) "Eligible participants" means a person able to receive
22 loan guarantee expenditures under this act and includes, but is not
23 limited to, individuals, farmer-owned cooperatives, partnerships,
24 limited liability companies, private or public corporations, and
25 nonprofit organizations in this state. Eligible participants shall
26 not include any entity located in a renaissance zone established
27 under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681

1 to 125.2696.

2 (i) "Farming" means the cultivation of land for the production
3 and harvest of agricultural crops and includes the production of
4 poultry and poultry products, the production of livestock and
5 cervidae including breeding and grazing, the production of grains
6 and feeds, the production of forages and sod, the production of
7 dairy products, and the production of fruits and vegetables, the
8 harvest and production of timber and timber products, the
9 production of seeds and grasses, the harvest and production of
10 floriculture, the production of aquaculture, and the production of
11 equines.

12 (j) "FSA" means the farm service agency in the United States
13 department of agriculture.

14 (k) "Loan guarantee" means a commitment by the authority to
15 pay part or all of a loan's principal and interest to a lender or
16 the holder of a security in case the borrower defaults.

17 (l) "Loan guarantee transaction" means the aggregation of the
18 dollar amount of the existing outstanding principal balance of all
19 loans to the same borrower guaranteed under this act in addition to
20 the amounts of any new guarantee loan applications to the same
21 applicant.

22 (m) "Loan programs" means 1 or more of the following:

23 (i) An agriculture innovation loan guarantee program.

24 (ii) A loan guarantee program for beginning and small farmers.

25 (iii) An interest rate assistance program.

26 (n) "Net worth" means total assets minus total liabilities as
27 determined in accordance with generally accepted accounting

1 principles with appropriate exceptions and exemptions.

2 (o) "Note" means a note issued by the authority pursuant to
3 this act.

4 (p) "Participating lender" means a lender who has experience
5 in agricultural lending, who is approved by FSA as a preferred
6 lender or a certified lender, and who is eligible to participate in
7 the FSA guaranteed farm loan program.

8 (q) "Person" means an individual, partnership, corporation,
9 association, governmental entity, or other legal entity.

10 (r) "Real or personal property" means all or any specifically
11 designated real estate, fixtures, or personal property offered as
12 security for the loan, including all forms of property eligible for
13 a security interest as defined by the uniform commercial code, 1962
14 PA 174, MCL 440.1101 to 440.11102.

15 (s) "Secured loan" means a financial obligation secured by a
16 lien on an interest in real or personal property.

17 (t) "Small farmer" means a farmer who has sustained annual
18 gross sales from agricultural production of less than \$250,000.00
19 at the date the loan was originally made. If 2 or more borrowers
20 sign a promissory note, the annual sales of the borrowers shall be
21 aggregated for the purpose of determining whether the loan
22 qualifies as a small farmer loan.

23 (u) "Value-added" means the enhancement or improvement of the
24 overall value of an agricultural commodity or of an animal or plant
25 product into a product of higher value. The enhancement or
26 improvement includes, but is not limited to, marketing,
27 agricultural processing, transforming, or packaging.

1 Sec. 5. The agriculture innovation finance authority is
2 created as a body corporate within the department and shall be
3 administered under the supervision of the department but shall
4 exercise its prescribed statutory power, duties, and functions
5 independently of the department. The budgeting, procurement, and
6 related functions of the authority shall be performed under the
7 direction and supervision of the department. Funds of the authority
8 shall be handled in the same manner and subject to the same
9 provisions of law applicable to state funds or in a manner
10 specified in a resolution of the authority authorizing the issuance
11 of bonds and notes.

12 Sec. 7. (1) The authority shall be governed by a board of
13 directors consisting of the director of the department of
14 agriculture and rural development, the state treasurer, and 7 other
15 members with knowledge, skill, and experience in production
16 agriculture, agri-business, agricultural banking, business, or the
17 financial field who shall be appointed by the governor with the
18 advice and consent of the senate. None of the 7 members appointed
19 under this section shall be employees of the state. Of the members
20 appointed under this section, 2 members shall represent production
21 agriculture and 2 members shall represent agricultural banking or
22 the financial field. Of the members initially appointed by the
23 governor to serve a term of 3 years under subsection (2), 1 shall
24 be appointed from a list of 2 or more nominees of the speaker of
25 the house of representatives and 1 shall be appointed from a list
26 of 2 or more nominees of the senate majority leader.

27 (2) Members appointed under subsection (1) shall serve terms

1 of 3 years and until a successor has been appointed and has
2 qualified. However, of the 7 members initially appointed, the
3 governor shall designate 2 to serve for 2 years and 2 to serve for
4 1 year.

5 (3) Upon appointment to the board under subsection (1), and
6 upon the taking and filing of the constitutional oath of office, a
7 member of the board shall enter the office and exercise the duties
8 of the office.

9 (4) The governor shall fill a vacancy in the office of a
10 member of the board by appointment with the advice and consent of
11 the senate. A vacancy shall be filled for the balance of the
12 unexpired term of the office.

13 (5) Members of the board and officers and employees of the
14 authority are subject to 1968 PA 317, MCL 15.321 to 15.330. A
15 member of the board or an officer, employee, or agent of the
16 authority shall discharge the duties of his or her position in a
17 nonpartisan manner, with good faith, and with that degree of
18 diligence, care, and skill that an ordinarily prudent person would
19 exercise under similar circumstances in a like position. In
20 discharging his or her duties, a member of the board or an officer,
21 employee, or agent of the authority, when acting in good faith, may
22 rely upon the opinion of counsel for the authority, upon the report
23 of an independent appraiser selected with reasonable care by the
24 board, or upon financial statements of the authority represented to
25 the member of the board, officer, employee, or agent to be correct
26 by the officer of the authority having charge of its books or
27 account, or stated in a written report by the auditor general or a

1 certified public accountant or a firm of accountants fairly to
2 reflect the financial condition of the authority.

3 (6) The board shall organize and make its own policies and
4 procedures. The board shall conduct all business at public meetings
5 held in compliance with the open meetings act, 1976 PA 267, MCL
6 15.261 to 15.275. Public notice of the time, date, and place of
7 each meeting shall be given in the manner required by the open
8 meetings act, 1976 PA 267, MCL 15.261 to 15.275. Five members of
9 the board constitute a quorum for the transaction of business. An
10 action of the board requires a concurring vote by 5 members of the
11 board. A state officer who is a member of the board may designate a
12 representative from his or her department to serve instead of that
13 state officer as a voting member of the board for 1 or more
14 meetings.

15 Sec. 9. (1) The board shall elect a chairperson and a vice-
16 chairperson from among its members. The authority may employ legal
17 and technical experts and other officers, agents, or employees,
18 permanent or temporary, paid from the funds of the authority. The
19 authority shall determine the qualifications, duties, and
20 compensation of its employees. The authority may delegate to 1 or
21 more members, officers, agents, or employees any powers or duties
22 it considers proper.

23 (2) The authority shall contract with the department for the
24 purpose of maintaining and improving the rights and interests of
25 the authority.

26 (3) The accounts of the authority shall be subject to annual
27 audits by the state auditor general or a certified public

1 accountant appointed by the auditor general. Records shall be
2 maintained according to generally accepted auditing principles.

3 Sec. 11. (1) The authority shall establish loan programs that
4 promote value-added agricultural processing, commercialization of
5 agriculture technologies, processes, or products, and farming
6 operations within this state.

7 (2) The loan guarantee interest rate and payment terms shall
8 be negotiated between the participating lender and the eligible
9 participant.

10 (3) Participating lenders shall not use a loan guarantee for
11 the sole purpose of refinancing prior debt.

12 (4) The loan guarantee shall not be more than 90% of the
13 participating lender's loss after all alternatives to collect have
14 been exhausted.

15 (5) All loan guarantee programs established by the authority
16 shall include a provision that an out-of-state business must have a
17 significant existing or proposed business presence in this state.

18 (6) Guaranteed loans are the property and responsibility of
19 the lender. The lender shall make the loan and service the loan to
20 conclusion.

21 Sec. 13. The authority shall establish and administer an
22 agriculture innovation loan guarantee program that does all of the
23 following:

24 (a) Utilizes participating lenders only.

25 (b) Provides that loan guarantees are approved by the
26 authority only for projects in this state designed to establish,
27 retain, expand, attract, or develop new innovation in value-added

1 agricultural processing and related agricultural production
2 operations or the commercialization of agriculture technologies,
3 processes, or products.

4 (c) Permits the purchase of real estate, real estate
5 improvements, machinery, equipment, and operating needs not to
6 exceed a total of \$5,000,000.00 for each loan guarantee transaction
7 for established agricultural processing as well as new ventures.

8 (d) Requires segregation of security and lien priority issues
9 to be documented in the agreement between the authority and the
10 participating lender.

11 (e) Ensures that the loan guarantees are used to finance
12 operations that are viable, productive, and sustainable as
13 determined by the participating lender.

14 Sec. 15. The authority may establish and administer a loan
15 guarantee program for beginning farmers and small farmers that does
16 all of the following:

17 (a) Utilizes qualified lenders only.

18 (b) Limits loan guarantees to no more than \$1,000,000.00 per
19 loan guarantee transaction.

20 (c) Requires the applicant to fund at least 10% of the
21 purchase price.

22 (d) Permits the purchase of real estate, real estate
23 improvements, machinery, equipment, and operating needs not to
24 exceed a total of \$1,000,000.00 per farm unit to be included in any
25 loan it guarantees.

26 Sec. 17. (1) The authority may establish and administer an
27 interest rate assistance program on a farm loan guarantee through a

1 participating lender to provide interest rate assistance for any of
2 the following:

3 (a) Beginning farmers.

4 (b) Small farmers.

5 (c) New ventures that will enhance value-added agricultural
6 processing or the commercialization of agriculture technologies,
7 processes, or products.

8 (2) The authority may provide an interest buy-down to the
9 participating lender in which the participating lender receives its
10 typical return and the eligible participant benefits from a reduced
11 interest rate.

12 Sec. 19. In the performance of its duties, the exercise of its
13 powers, and the selection of specific programs and projects under
14 the loan programs, the authority shall comply with all of the
15 following:

16 (a) The authority shall not become an owner of agricultural
17 land, agricultural improvements, or real or personal property,
18 except on a temporary basis if necessary to implement its programs,
19 to protect its investments by means of foreclosure or other means,
20 or to facilitate transfer of agricultural land, agricultural
21 improvements, or real or personal property.

22 (b) The authority shall exercise diligence and care in the
23 selection of projects and shall apply customary and acceptable
24 business and lending standards in the selection and subsequent
25 implementation of those projects. The authority may delegate
26 primary responsibility for determination and implementation of the
27 projects to an agency of the federal government if that agency

1 assumes an obligation to repay the loan, either directly or by
2 insurance or guarantee.

3 Sec. 21. The authority shall possess all powers necessary or
4 convenient to carry out this act, including all the following
5 powers:

6 (a) To sue and to be sued; to have a seal and to alter the
7 seal; to have perpetual succession; to make and execute contracts
8 and other instruments necessary or convenient to the exercise of
9 the powers of the authority; and to make, amend, and repeal bylaws
10 and rules.

11 (b) In cooperation with other state agencies, state
12 universities, local units of government, and other industry groups,
13 to conduct studies and analyses of agricultural trends and future
14 economic estimates within this state, the results of which shall be
15 made available to the public and the agricultural industry; to
16 engage in research; and to disseminate information to industry
17 partners.

18 (c) To agree and comply with conditions attached to federal
19 financial assistance.

20 (d) To establish and collect fees and charges in connection
21 with the sale of the authority's loan guarantee commitments and
22 servicing, including the reimbursement of costs of financing by the
23 authority and service charges; and to use any accumulated fees,
24 charges, and interest income for achieving any of the corporate
25 purposes of the authority, to the extent that the fees, charges,
26 and interest income are not pledged to the repayment of bonds and
27 notes of the authority or the interest on those bonds and notes.

1 (e) To make loan guarantees.

2 (f) To establish standards or inspect records, or both,
3 relating to guarantees made under the agriculture innovation loan
4 guarantee programs.

5 (g) To accept gifts, grants, loans, appropriations, or other
6 aid from any person.

7 (h) Subject to section 19(a), to acquire or contract to
8 acquire from a person, by grant, purchase, or otherwise, leaseholds
9 or real or personal property, or any interest in a leasehold or
10 real or personal property; and to own, hold, clear, improve, and
11 rehabilitate and to sell, assign, exchange, transfer, convey,
12 lease, mortgage, or otherwise dispose of or encumber any interest
13 in a leasehold or real or personal property. This act shall not
14 impede the operation and effect of the Michigan right to farm act,
15 1981 PA 93, MCL 286.471 to 286.474; local zoning, building, and
16 housing ordinances; ordinances relating to subdivision control,
17 land development, or fire prevention; or other ordinances
18 concerning agricultural land, farming, or the development of
19 farming.

20 (i) To procure insurance against any loss in connection with
21 the property and other assets of the authority.

22 (j) To invest, at the discretion of the authority, funds held
23 in reserve or sinking funds, or money not required for immediate
24 use or disbursement in obligations of this state or of the United
25 States, in obligations the principal and interest of which are
26 guaranteed by this state or the United States, or in other
27 obligations as may be approved by the state treasurer.

1 (k) To promulgate rules necessary to carry out the purposes of
2 this act and to exercise the powers expressly granted in this act.
3 Rules shall be promulgated pursuant to the administrative
4 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

5 (l) To engage the services of private consultants on a contract
6 basis for rendering professional and technical assistance and
7 advice.

8 Sec. 23. (1) The authority shall submit to the governor, the
9 clerk of the house of representatives, the secretary of the senate,
10 and the chairpersons of the senate and house standing committees
11 with jurisdiction over issues pertaining to agriculture not later
12 than January 15 of each year a complete report on the activities of
13 the authority under this act. The report shall include all of the
14 following:

15 (a) A description of the authority's operations and
16 accomplishments.

17 (b) An accounting of the authority's receipts and expenditures
18 during the fiscal year, in accordance with the classifications it
19 establishes for its operating and capital accounts.

20 (c) An accounting of the authority's assets and liabilities at
21 the end of its fiscal year and the status of reserve, special, and
22 other funds.

23 (d) A schedule of the bonds and notes outstanding at the end
24 of its fiscal year and a statement of the amounts redeemed and
25 issued during its fiscal year.

26 (e) A statement of the authority's proposed and projected
27 activities.

1 (f) A list of participating lenders.

2 (g) A list of eligible participants that received a loan
3 guarantee under this act.

4 (h) An accounting of administrative expenses.

5 (i) Recommendations to the legislature.

6 (2) The annual report shall identify the performance goals of
7 the authority and clearly indicate the progress made to attain
8 those goals during the reporting period. If possible, results shall
9 be expressed in terms of number of loan guarantees, amount of
10 capital investment, and types of value-added and commercialization
11 activities assisted.

12 Sec. 25. A program authorized by this act may be combined with
13 any other state or federal program in order to promote value-added
14 agricultural processing; commercialization of agriculture
15 technologies, processes, or products; and farming operations within
16 this state.

17 Sec. 27. (1) The authority may authorize and issue its bonds
18 or notes payable solely from the revenues or funds available to the
19 authority. Bonds and notes of the authority are not a debt or
20 liability of this state and do not create or constitute any
21 indebtedness, liability, or obligations of this state or constitute
22 a pledge of the faith and credit of this state. All authority bonds
23 and notes shall be payable solely from revenues or funds pledged or
24 available for their payment as authorized in this part. Each bond
25 and note shall contain on its face a statement to the effect that
26 the authority is obligated to pay the principal of and the interest
27 on the bond or note only from revenues or funds of the authority

1 pledged for the payment of principal and interest and that this
2 state is not obligated to pay that principal or interest and that
3 neither the faith and credit nor the taxing power of this state is
4 pledged to the payment of the principal of or the interest on the
5 bond or note.

6 (2) All expenses incurred in carrying out the loan program
7 shall be payable solely from revenues or funds provided or to be
8 provided under this part. This section does not authorize the
9 authority to incur any indebtedness or liability on behalf of or
10 payable by this state. Any money derived from the proceeds of bonds
11 or notes shall be expended by the authority in the manner
12 prescribed in this act and the resolution authorizing such
13 indebtedness.

14 Sec. 29. (1) The authority may issue from time to time bonds
15 or notes in principal amounts the authority considers necessary to
16 provide funds for any purpose, including, but not limited to, all
17 of the following:

18 (a) The payment, funding, or refunding of the principal of,
19 interest on, or redemption premiums on bonds or notes issued by the
20 authority whether the bonds or notes or interest to be funded or
21 refunded have or have not become due.

22 (b) The establishment or increase of reserves to secure or to
23 pay authority bonds or notes or interest on those bonds or notes.

24 (c) The payment of interest on the bonds or notes for a period
25 as the authority determines.

26 (d) The payment of all other costs or expenses of the
27 authority incidental to and necessary or convenient to carry out

1 its corporate purposes and powers.

2 (2) The bonds or notes of the authority shall not be a general
3 obligation of the authority but shall be payable solely from the
4 revenues or funds, or both, pledged to the payment of the principal
5 of and interest on the bonds or notes as provided in the resolution
6 authorizing the bond or note.

7 (3) The following apply to the bonds or notes of the
8 authority:

9 (a) Shall be authorized by resolution of the authority.

10 (b) Shall bear the date or dates of issuance.

11 (c) May be issued as either tax-exempt bonds or notes or
12 taxable bonds or notes for federal income tax purposes.

13 (d) Shall be serial bonds, term bonds, or term and serial
14 bonds.

15 (e) Shall mature at such time or times not exceeding 30 years
16 from the date of issuance.

17 (f) May provide for sinking fund payments.

18 (g) May provide for redemption at the option of the authority
19 for any reason or reasons.

20 (h) May provide for redemption at the option of the bondholder
21 for any reason or reasons.

22 (i) Shall bear interest at a fixed or variable rate or rates
23 of interest per annum or no interest.

24 (j) Shall be registered bonds, coupon bonds, or both.

25 (k) May contain a conversion feature.

26 (l) May be transferable.

27 (m) Shall be in the form, denomination or denominations, and

1 with the other provisions and terms as is determined necessary or
2 beneficial by the authority.

3 (4) If a member of the board or any officer of the authority
4 whose signature or facsimile of his or her signature appears on the
5 note, bond, or coupon ceases to be a member or officer before the
6 delivery of that note or bond, the signature shall continue to be
7 valid and sufficient for all purposes, as if the member or officer
8 had remained in office until the delivery.

9 (5) Bonds or notes of the authority may be sold at a public or
10 private sale at the time or times, at the price or prices, and at a
11 discount as the authority determines. Bonds and notes of the
12 authority are not subject to the revised municipal finance act,
13 2001 PA 34, MCL 141.2101 to 141.2821. The bonds or notes of the
14 authority are not required to be registered under the uniform
15 securities act (2002), 2008 PA 551, MCL 451.2101 to 451.2703.

16 (6) The issuance of bonds and notes under this section is
17 subject to the agency financing reporting act, 2002 PA 470, MCL
18 129.171 to 129.177.

19 (7) For the purpose of more effectively managing its debt
20 service, the authority may enter into an interest rate exchange or
21 swap, hedge, or similar agreement with respect to its bonds or
22 notes on the terms and payable from the sources and with the
23 security, if any, as determined by a resolution of the authority.

24 Sec. 31. (1) The authority may provide for the issuance of
25 bonds or notes in the amounts the authority considers necessary for
26 the purpose of refunding bonds or notes of the authority then
27 outstanding, including the payment of any redemption premium and

1 interest accrued or to accrue to the earliest or subsequent date of
2 redemption, purchase, or maturity of these bonds or notes. The
3 proceeds of bonds or notes issued for the purpose of refunding
4 outstanding bonds or notes may be applied by the authority to the
5 purchase or retirement at maturity or redemption of outstanding
6 bonds or notes either on the earliest or subsequent redemption
7 date, and pending such applications, may be placed in escrow to be
8 applied to the purchase or retirement at maturity or redemption on
9 the date or dates determined by the authority. Pending such
10 application and subject to agreements with noteholders or
11 bondholders, the escrowed proceeds may be invested and reinvested
12 in the manner the authority determines, maturing at the date or
13 times as appropriate to assure the prompt payment of the principal,
14 interest, and redemption premium, if any, on the outstanding bonds
15 or notes to be refunded. After the terms of the escrow have been
16 fully satisfied and carried out, the balance of the proceeds and
17 interest, income, and profits, if any, earned or realized on the
18 investment of the proceeds shall be returned to the authority for
19 use by the authority in any lawful manner.

20 (2) In the resolution authorizing bonds or notes to refund
21 bonds or notes, the authority may provide that the bonds or notes
22 to be refunded shall be considered paid when there has been
23 deposited in escrow, money or investment obligations that would
24 provide payments of principal and interest adequate to pay the
25 principal and interest on the bonds to be refunded, as that
26 principal and interest becomes due whether by maturity or prior
27 redemption and that, upon the deposit of the money or investment

1 obligations, the obligations of the authority to the holders of the
2 bonds or notes to be refunded shall be terminated except as to the
3 rights to the money or investment obligations deposited in trust.

4 (3) The authority shall not have outstanding at any time bonds
5 or notes in an aggregate principal amount exceeding \$40,000,000.00
6 excluding bonds or notes issued to refund outstanding bonds or
7 notes. Administrative costs shall not exceed 5% over the life of
8 the program.

9 (4) The authority may hire a person to administer the bonding
10 provisions of this act.

11 Sec. 33. (1) The authority may authorize and approve an
12 insurance contract, an agreement for a line of credit, a letter of
13 credit, a commitment to purchase notes or bonds, an agreement to
14 remarket bonds or notes, and any other transaction to provide
15 security to assure timely payment of a bond or note.

16 (2) The authority may authorize payment from the proceeds of
17 the notes or bonds, or other funds available, of the cost of
18 issuance including, but not limited to, fees for placement, charges
19 for insurance, letters of credit, lines of credit, remarketing
20 agreements, reimbursement agreements, or purchase or sales
21 agreements or commitments, or agreements to provide security to
22 assure timely payment of notes or bonds.

23 Sec. 35. Within limitations that shall be contained in the
24 issuance or authorization resolution of the authority, the
25 authority may authorize a member of the board or other officer of
26 the authority to do 1 or more of the following:

27 (a) Sell and deliver, and receive payment for notes or bonds.

1 (b) Refund notes or bonds by the delivery of new notes or
2 bonds whether or not the notes or bonds to be refunded have matured
3 or are subject to redemption.

4 (c) Deliver notes or bonds, partly to refund notes or bonds
5 and partly for any other authorized purpose.

6 (d) Buy notes or bonds so issued and resell those notes or
7 bonds.

8 (e) Approve interest rates or methods for fixing interest
9 rates, prices, discounts, maturities, principal amounts,
10 denominations, dates of issuance, interest payment dates,
11 redemption rights at the option of the authority or the holder, the
12 place of delivery and payment, and other matters and procedures
13 necessary to complete the transactions authorized.

14 (f) Direct the investment of any and all funds of the
15 authority.

16 (g) Approve the terms of a contract, including, but not
17 limited to, a contract for the sale or cutting of timber, and
18 execute and deliver the contract subject to the restrictions of
19 this part.

20 (h) Approve terms of any insurance contract, agreement for a
21 line of credit, a letter of credit, a commitment to purchase notes
22 or bonds, an agreement to remarket bonds or notes, an agreement to
23 manage payment, revenue, or interest rate exposure, or any other
24 transaction to provide security to assure timely payment of a bond
25 or note.

26 (i) Perform any power, duty, function, or responsibility of
27 the authority.

1 Sec. 37. A resolution authorizing bonds or notes may provide
2 for all of the following that shall be part of the contract with
3 the holders of the bonds or notes:

4 (a) A pledge to any payment or purpose all or any part of
5 authority revenues or assets to which its right then exists or may
6 later come to exist, and of money derived from the revenues or
7 assets, and of the proceeds of bonds or notes or of an issue of
8 bonds or notes, subject to any existing agreements with bondholders
9 or noteholders.

10 (b) A pledge of a loan, grant, or contribution from the
11 federal or state government.

12 (c) The establishment and setting aside of reserves or sinking
13 funds and the regulation and disposition of reserves or sinking
14 funds subject to this part.

15 (d) Authority for and limitations on the issuance of
16 additional bonds or notes for the purposes provided for in the
17 resolution and the terms upon which additional notes or bonds may
18 be issued and secured.

19 (e) The procedure, if any, by which the terms of a contract
20 with noteholders or bondholders may be amended or abrogated, the
21 number of noteholders or bondholders who are required to consent to
22 the amendment or abrogation, and the manner in which the consent
23 may be given.

24 (f) A contract with the bondholders as to the custody,
25 collection, securing, investment, and payment of any money of the
26 authority. Money of the authority and deposits of money may be
27 secured in the manner determined by the authority. Banks and trust

1 companies may give security for such deposits.

2 (g) Vest in a trustee, or a secured party, such property,
3 income, revenues, receipts, rights, remedies, powers, and duties in
4 trust or otherwise as the authority determines necessary or
5 appropriate to adequately secure and protect noteholders and
6 bondholders or to limit or abrogate the right of the holders of
7 bonds or notes of the authority to appoint a trustee under this
8 part or to limit the rights, powers, and duties of the trustee.

9 (h) Provide to a trustee or the noteholders or bondholders
10 remedies that may be exercised if the authority fails or refuses to
11 comply with this part or defaults in an agreement made with the
12 holders of an issue of bonds or notes, which may include any of the
13 following:

14 (i) By mandamus or other suit, action, or proceeding at law or
15 in equity, to enforce the rights of the bondholders or noteholders,
16 and require the authority to carry out any other agreements with
17 the holders of those notes or bonds and to perform the authority's
18 duties under this part.

19 (ii) Bring suit upon the notes or bonds.

20 (iii) By action or suit, require the authority to account as if
21 it were the trustee of an express trust for the holders of the
22 notes or bonds.

23 (iv) By action or suit in equity, enjoin any acts or things
24 that may be unlawful or in violation of the rights of the holders
25 of the notes or bonds.

26 (v) Declare the notes or bonds due and payable and, if all
27 defaults shall be made good, then, as permitted by such resolution,

1 annul that declaration and its consequences.

2 (i) Any other matters of like or different character that in
3 any way affect the security of protection of the bonds or notes.

4 Sec. 39. A pledge made by the authority shall be valid and
5 binding from the time the pledge is made. The money or property
6 pledged and then received by the authority immediately is subject
7 to the lien of the pledge without a physical delivery or further
8 act. The lien of a pledge is valid and binding as against parties
9 having claims of any kind in tort, contract, or otherwise against
10 the authority, and is valid and binding as against the transfers of
11 the money or property pledged, irrespective of whether parties have
12 notice. Neither the resolution, the trust agreement, nor any other
13 instrument by which a pledge is created need be recorded in order
14 to establish and perfect a lien or security interest in the
15 property so pledged.

16 Sec. 41. Neither the members of the authority nor any person
17 executing bonds or notes issued under this act or any person
18 executing any agreement on behalf of the authority is liable
19 personally on the bonds or notes by reason of their issuance.

20 Sec. 43. The authority may purchase bonds or notes of the
21 authority out of funds or money of the authority available for that
22 purpose. The authority may hold, cancel, or resell authority bonds
23 or notes subject to or in accordance with an agreement with holders
24 of authority bonds or notes.

25 Sec. 45. This state pledges to and agrees with the holders of
26 bonds or notes issued under this act that this state shall not
27 limit or restrict the rights vested in the authority by this act to

1 fulfill the terms of an agreement made with the holders of
2 authority bonds or notes, or in any way impair the rights or
3 remedies of the holders of the bonds or notes of the authority
4 until the bonds and notes, together with interest on the bonds or
5 notes and interest on any unpaid installments of interest, and all
6 costs and expenses in connection with an action or proceedings by
7 or on behalf of those holders are fully met, paid, and discharged.

8 Sec. 47. Notwithstanding any restriction contained in any
9 other law, this state and a public officer, local unit of
10 government, or agency of this state or a local unit of government;
11 a bank, trust company, savings bank and institution, savings and
12 loan association, investment company, or other person carrying on a
13 banking business; an insurance company, insurance association, or
14 other person carrying on an insurance business; or an executor,
15 administrator, guardian, trustee, or other fiduciary may legally
16 invest funds belonging to them or within their control in bonds or
17 notes issued under this act, and authority bonds or notes shall be
18 authorized security for public deposits.

19 Sec. 49. Property of the authority is public property devoted
20 to an essential public and governmental function and purpose.
21 Income of the authority is considered to be for a public purpose.
22 The property of the authority and its income and operation are
23 exempt from all taxes and special assessments of this state or a
24 political subdivision of this state. Bonds or notes issued by the
25 authority, and the interest on and income from those bonds and
26 notes, are exempt from all taxation of this state or a political
27 subdivision of the state.

1 Sec. 51. This act shall be construed liberally to effectuate
2 the legislative intent and the purposes as complete and independent
3 authority for the performance of each and every act and thing
4 authorized by this act, and all powers granted shall be broadly
5 interpreted to effectuate the intent and purposes and not as a
6 limitation of powers.