

MPLT RESOLUTION NO. 11-5

A RESOLUTION TO APPROVE AN INVESTMENT WITH THE COMMONWEALTH DEVELOPMENT AUTHORITY TO EXTEND A STAND-BY LETTER OF CREDIT OF UP TO \$10 MILLION DOLLARS UNDER THE U.S. DEPARTMENT OF TREASURY STATE SMALL BUSINESS CREDIT INITIATIVE UNDER THE MPLT DIVERSIFIED LOCAL INVESTMENT PROGRAM WITHIN THE DOMESTIC FIXED INCOME ASSET CLASS SUBJECT TO CONDITIONS.

RECITALS

WHEREAS, in its Investment Policy Statement MPLT has established a Diversified Local Investment program within the Domestic Fixed Income Asset Class (described as "DLI". This program is intended to allow MPLT to entertain and consider prospects for investments in local programs with attending corollary benefits; and

WHEREAS, as part of the DLI MPLT received an Investment Proposal from the CNMI Commonwealth Development Authority to extend a stand-by letter of credit in the amount of \$10 million dollars with a commitment period of five (5) years (see attached Appendix "A" (CDA Proposal with Supporting Documents)); and

WHEREAS, on September 13, 2011 CDA Management invited MPLT's Chairman; Treasurer; Board Consultant and Counsel to join in a conference call with Jeff Stout of the U.S. Department of Treasury State Small Business Credit Initiative Program. Mr. Stout was technical assistant for the SSBCI Loan Review Committee to provide technical support to SSBCI applicants such as CDA. CDA submitted an application on June 23, 2011 for the SSBCI, as revised on July 12, 2011 (see attached Appendix "B"). In that conference call Mr. Stout identified the deficiencies with CDA's SSBCI Application, namely the financial status of CDA as a "going concern" inclusive of CDA's historic record of high loan delinquencies/defaults; whether CDA possessed the institutional underwriting capacity; CDA's long-term cash-flow sufficiency to support the program; and the sustainability of CDA's existing loan portfolio (see Appendix "C"). As a result of these major concerns CDA Management contemplated enlisting the support of MPLT to provide a "back-stop" financial commitment to shore up CDA's fiscal profile in the form of a stand-by letter of credit or other possible options. SSBCI allowed CDA until October 7, 2011 to provide supplemental information or revise its application to address

these deficiencies; and

WHEREAS, following the conference call with Mr. Stout suggested that CDA formalize its proposal for submission, which MPLT received on September 15, 2011 (Appendix "A") and which MPLT initially received and entertained at its September 16, 2011 meeting. MPLT directed a preliminary review of the proposal by staff with a follow up conference call with SSBCI/Mr. Stout. The MPLT Chairman and Board Consultant and counsel met with CDA Management and counsel on September 20, 2011 and had a follow up conference call with Mr. Stout. At that meeting MPLT also requested detailed financial information from CDA including the following: CDA's five-year cash flow analysis and identification of related principal assumptions used to estimate revenues/expenses; asset liquidation schedule and details of the basis for cash projections; confirmation of CDA's projected revenue from the Commonwealth Utilities Corporation preferred stock dividend agreement; and schedule of loans receivable aging. MPLT also requested confirmation of approval of the CDA Proposal or terms from the CDA Board of Directors whether by resolution or adopted minutes of meetings; and

WHEREAS, CDA submitted a portion of this information on Thursday September 22, 2011 and which was reviewed by MPLT's Board Consultant for reporting at the continued meeting on September 23, 2011. At that meeting CDA's information still had some missing information such as the loan foreclosure and loans receivable aging, as well as the CUC dividend-payout confirmation so that the Trustees directed that this information be provided to MPLT (all of the information received from CDA is attached as Appendix "D"); and

WHEREAS, in the review process MPLT received applicable comments and analyses from its Board Consultant and legal counsel and has deliberated on the CDA proposal including information on CDA, reports on its application, and the SSBCI program (see Appendix "E"). In this Resolution the MPLT Trustees express a strong desire to support the much-needed additional credit for small businesses to be able to secure loans which would not be made otherwise during this poor economy in the CNMI. At the same time, MPLT supports CDA's efforts to pursue the stated agenda of Small Business Jobs Act of 2010 to stimulate growth and development of small businesses by providing incentives for their development. Within the CNMI the Asian Economic Crisis; the recent tsunami catastrophe in Japan; and the earlier pull-out of the garment industry have decimated our small businesses so that the CNMI economy has been cited as one of the greatest collapses of an economy in recent times; and

WHEREAS, the MPLT Trustees understand that while its constitutional mandate is to invest and distribute interest income to the General Fund for appropriation, such investment should also include and contemplate investments here in the CNMI whenever possible and prudent. CDA is the entity which is charged with being the developmental banking authority for the economic development of the CNMI. These duties are consistent with the stated responsibility to promote economic development with investment and sustainable initiatives to grow the CNMI economy. However,

MPLT does echo the concerns of the SSBCI Loan Review Committee that institutional capacity; fiduciary standards; financial stability; and management dependability all are hallmarks of prudent financial management which shall be adhered at all times—particularly with funds from legislation intended to assist ailing small businesses in the CNMI. For these reasons, the MPLT Trustees engage in an investment with CDA as to its Proposal but the Trustees convey a strong message to the CDA Board and its Management that MPLT urges institutional care and prudence in the stewardship and management of its programs for everyone’s mutual benefit.

THEREFORE, IN CONSIDERATION OF THE FOREGOING TERMS AND PURSUANT TO ITS INVESTMENT POLICY STATEMENT, THE TRUSTEES OF MPLT HEREBY RESOLVE AS FOLLOWS:

RESOLUTION

BE IT RESOLVED, that the proposal by CDA is deemed to meet the criteria for the Diversified Local Investment program as a local investment within the Investment Policy Statement in the area of Domestic Fixed Income; and

BE IT FURTHER RESOLVED that the CDA Proposal in Appendix “A” requests that MPLT invest and commit the sum of \$10 million dollars of its investment portfolio through a Stand-By Letter of Credit (“SLOC”) to support CDA’s grant application with the U.S. Department of Treasury State Small Business Credit Initiative application (“SSBCI Application”) the substance and information of which is described in Appendix “A” attached (collectively “the CDA Proposal”); and

BE IT FURTHER RESOLVED, that the MPLT Trustees determine that the CDA Proposal for investment shall yield a reasonable rate of return on the interest and that it shall be secured with sufficient and adequate collateral so as to constitute a prudent financial investment by the Trust and that there shall be an annual commitment fee; and

BE IT FURTHER RESOLVED, that the MPLT Trustees hereby APPROVE and authorize the investment of \$10 million for a SLOC for the CDA Proposal of Trust funds with CDA at a rate of seven percent (7%) per annum commencing on each drawdown and until repaid; with a commitment period not to exceed five (5) years from the approved date of this MPLT Resolution; with an annual commitment fee of one percent (1%) (\$100,000) per fiscal year starting January 1, 2012; and secured with a supreme and priority first mortgage or first lien on all current or future acquired or liquidated CDA assets whether or not reduced to judgment or foreclosure; and

BE IT FURTHER RESOLVED, that the distribution or payment of the investment to CDA shall be subject to the following mandatory terms and conditions, all of which shall be met and satisfied to MPLT, prior to any closing and all of which shall be in place on or before October 7, 2011: after which time the SLOC shall be made available to CDA pursuant to this Resolution. Further, CDA shall execute the required instruments to


effect the terms of this investment including a Memorandum of Agreement for the SLOC and a Promissory Note:

1. CDA Board of Directors' Approval by Resolution of MPLT's Terms and Conditions: CDA shall deliver a duly certified Resolution to MPLT which shall specifically and clearly detail that CDA has authorized the CDA Proposal to MPLT and that CDA, inclusive of its Board and Management, have approved this MPLT Resolution and agree to its terms without reservation or condition.
2. Stand-By Letter of Credit ("SLOC"): MPLT shall cause to issue and make available from its Investment Portfolio the sum of \$10 Million Dollars as a stand-by letter of credit for the five-year term of the SSBCI program under the terms of CDA's proposal in Appendix "A."
3. Interest Rate on SLOC: MPLT shall assess and CDA agrees to pay interest at the rate of seven percent (7%) per annum on the outstanding balance of any drawdown of funds per the SLOC. The interest shall accrue on the daily balance until fully repaid.
4. Repayment of SLOC: CDA shall fully repay and amount drawn down per the SLOC within one-hundred sixty (160) days from the date of draw down. If a series of draw downs occur, any repayments will be applied on a first-in/first-out basis.
5. Default: CDA shall be in default of its SLOC and any agreement with MPLT should it fail to make any payment due after 160 days and fails to cure such default after 30 calendar days following written notice and demand to cure.
6. Investment Commitment Fee: In consideration of MPLT's commitment of its investment funds for a period of five years for the SLOC, CDA shall pay an annual Investment Commitment Fee of one-percent (1%) per year starting on January 1, 2012.
7. Segregated Reserve Fund for CDA SSBCI within MPLT's Management Resources: In order to provide a risk-related rate of return on the investment, MPLT agrees for CDA to use one or more of MPLT's money managers. There shall be established, whenever deemed necessary by CDA, a segregated reserve fund within MPLT's management resources. This reserve account is owned and managed by CDA and does not constitute the fund corpus under MPLT's constitutional mandate. As such, CDA has the sole responsibility for the prudent management of these funds including establishing its own investment policy statement.

8. Compliance Monitoring and Copies of all SSBCI Compliance Reporting by CDA to be furnished to MPLT: CDA agrees that MPLT shall be privy to all compliance monitoring by SSBCI so that MPLT shall receive all SSBCI compliance reports furnished to the U.S. Treasury inclusive of any annual CDA audit reports.
9. Prohibition Against Diversion of Funds/Assets During Period of SLOC: CDA agrees that it shall not, during the period of the SLOC, divert any of its funds to any other entity or agency, including but not limited to the operations of the central CNMI Government or the Northern Marianas Housing Corporation for any reason. Nor shall CDA assign, transfer, lease, bargain, convey or sell any of those funds to such non-CDA entities with respect to funds recovered from property foreclosures or auctions as to those properties in its proposal during the period of this SLOC.

BE IT FURTHER RESOLVED that in the event that the SSBCI Application of CDA is rejected by the U.S. Treasury, this Resolution and the SLOC shall be deemed null and void and shall expire immediately.

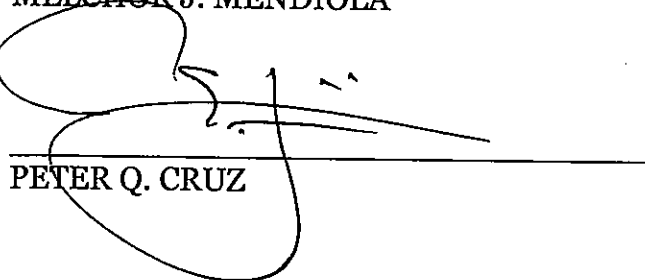
SO ADOPTED this 28th day September, 2011 by the Trustees of the Marianas Public Land Trust.


ALVARO A. SANTOS


PEDRO R. DELEON GUERRERO


MELCHOR J. MENDIOLA


GREGORIA FITIAL-OMAR


PETER Q. CRUZ