

MARIANAS PUBLIC LAND TRUST

MPLT INVESTMENT AMENDED RESOLUTION NO. 19-001-A

A RESOLUTION TO ENTER INTO A LOAN AGREEMENT TRANSACTION WITH THE CNMI GOVERNMENT THROUGH THE OFFICE OF THE GOVERNOR/SECRETARY OF FINANCE IN THE AMOUNT NOT TO EXCEED \$15 MILLION DOLLARS SUBJECT TO TERMS AND CONDITIONS KNOWN AS THE "TYPHOON YUTU CNMI DISASTER RECOVERY LOAN."

WHEREAS, on October 24, 2018 the Commonwealth suffered the severe devastation in property damage, economic losses and financial impact from Super Typhoon Yutu. President Trump issued a disaster declaration for the Commonwealth as a result of the storm damage. Following the storm the Commonwealth engaged in disaster recovery and repair efforts with its own resources as well as those of the Federal Emergency Management Agency ("FEMA") and other regional and federal support. The clean-up and recovery efforts proceeded through Fiscal Year 2019; and

WHEREAS, following stabilization post-recovery, on April 26, 2019 Governor Ralph Torres submitted his letter to the Marianas Public Land Trust ("MPLT") Trustees requesting and seeking a Line of Credit ("LOC") in the amount of \$15 million dollars. *See, Governor's Letter of April 26, 2019 ref: GOV 19-131.* This LOC was originally requested as a bridge revenue debt financing instrument in order to service the NMI Settlement Fund payments as required by court order and for the CNMI debt service on its existing bond obligations. The LOC would be secured by MPLT's interest income distributions starting FY 2020 in the event that the Department of Finance does not repay the LOC. The request sought a LOC with an interest rate of not less than 5%; and

WHEREAS, the Governor's letter submission was preceded by the pre-filing of HB 21-44 by Speaker Attao and introduced on April 29, 2019, proposing to pledge as security the interest income distributions from the MPLT pursuant to Article XI, Section 6(d) of the Northern Mariana Islands Constitution and to authorize the MPLT to withhold and to retain Net Annual Distributable Interest Income starting Fiscal Year 2020 and beyond as necessary, to create a credit facility to address bond obligations and retirement settlement fund payments; and

WHEREAS, the Trustees engaged in due diligence review with the Legislature, Secretary of Finance and their Investment Consultant, Financial Consultant and Legal Counsel. The due diligence process involved the gathering of information on the LOC request; posing questions and verifying the information provided; conferences with members of the Administration, Legislature and Secretary of Finance; and

WHEREAS, on June 12, 2019 the Trust received a letter from Finance Secretary Mr. Atalig entitled "Revised Purpose and Request for Line of Credit from MPLT" (referred to as the "Revised LOC"). *See, Letter from Mr. Atalig referenced as SFL 2019-266.* In the Revised LOC Mr. Atalig informed the Trust that he has revised the request as follows:

- Confirming the amount of the LOC request remains at \$15 million dollars.

- The purpose is no longer to pay for the NMI Settlement Fund and Bond Obligation.
- The revised purpose is to pay for “extraordinary expenses made under extraordinary circumstances” for the disaster recovery expenses which are not normal operating expenses of the government (this will be termed “extraordinary emergency disaster reimbursable expenses”).
- The source of repayment is the annual interest-income distribution from MPLT to the General Fund.
- The repayment period would be 5-7 years (however on June 13, 2019 Mr. Atalig amended this request to be limited to 5 years).
- The pledge of \$15 million dollars reimbursable from FEMA remains; and

WHEREAS, in his Revised LOC letter Mr. Atalig informed that the total estimated costs incurred for the disaster is over \$97 million dollars. Of that amount the CNMI Government has paid \$15 million dollars for disaster-related expenses for which it seeks FEMA reimbursement. The result of this, per Mr. Atalig, is the reduced amount of funds to pay for the normal operating expenses of the government. As such, the \$15 million LOC is “to pay disaster-related expenses including reimbursing the Commonwealth for disaster-related expenses already paid”; and

WHEREAS, following the meetings on June 13, 2019 the MPLT Ad Hoc Committee on the LOC convened and deliberated on the Revised LOC. The Committee prepared its report and recommendations to the Trustees on June 24, 2019 at its convened regular June 2019 Trustee Meeting. The Trustees received the report and the Acting Chair invited the Administration and members of the Legislature to meet and confer in light of the Committee’s report; and

WHEREAS, on June 25, 2019 the Trustees met and conferred with Governor Torres, Lt. Governor Palacios, Senate President Hocog, House Speaker Attao, Floor Leader Sablan, Vice-Speaker Deleon Guerrero with Representatives Castro, Benavente and Camacho attending at the MPLT office on the continued meeting. At the meeting the discussion involved the pressing need for the funds and that while the CNMI is working in earnest to recover the current financial state requires the Revised LOC as a “bridge loan” to enable payment to vendors and other expenses while awaiting FEMA reimbursement and improved/increased collections; and

WHEREAS, after consideration of the comments and discussion with the Administration and members of the Legislature the Trustees are of the view that either the Revised LOC or a loan agreement with the Commonwealth government is appropriate for consideration and from the Diversified Local Investment asset class of the MPLT portfolio; and

WHEREAS, the Diversified Local Investment (“DLI”) asset classification within MPLT seeks to structure or consider investment vehicles which provide minimal rates of market return with attending corollary benefits at the local level. Such corollary benefits may include government stabilization. In the case of the Revised LOC, the focus is on government stabilization and recovery for post-disaster relief. Even so, the sympathies of MPLT assisting or funding the central government due to a crisis is not the sole determinative factor on a DLI investment—security and repayment are just as critical if not as important in the analysis. MPLT maintains the view that DLIs are a localized exception to its general investment approach and every DLI proposal must be compelling as to its mission and purpose and beneficial in its scope and impact to the people of the CNMI particularly persons of Northern Marianas Descent. At all times full fiduciary prudence analysis and proper due diligence is required in both program development and shall be conducted on an investment-by-investment basis; and

WHEREAS, in this Resolution the Trustees have reconsidered the request for a Revised LOC and determined that the better and appropriate instrument is a Loan Agreement with the Commonwealth but to allow the Secretary of Finance and Administration the opportunity to

develop or provide security or repayment options if and when possible without constraining their ability to use the funds while undertaking disaster and economic recovery efforts. The Trustees have, therefore, decided to approve this instrument which it now establishes as the "Typhoon Yutu CNMI Disaster Recovery Loan". By loaning the money from the General Fund-managed portfolio to the CNMI General Fund for the extraordinary disaster expenses, the loan money will be invested and secured properly in the interest of the people of the CNMI; and

WHEREAS, after consideration of the Revised LOC and the attending information before MPLT, the Trustees have engaged in the due diligence process and have completed that process with this Resolution.

THEREFORE, BE IT RESOLVED THAT THE TRUSTEES HEREBY APPROVES THE \$15 MILLION DOLLAR REQUEST BY GOVERNOR RALPH DLG. TORRES AS REVISED BY THE SECRETARY OF FINANCE NOW KNOWN AS THE "TYPHOON YUTU CNMI DISASTER RECOVERY LOAN" SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS, ALL OF WHICH SHALL BE IN PLACE AS CONDITIONS PRECEDENT TO ANY DISBURSEMENT OF MPLT FUNDS PURSUANT TO THIS RESOLUTION:

1. The investment authorized is not to exceed \$15,000,000 and is capped at that amount.
2. The DLI asset class is authorized for rebalancing to allow for the expansion of the portion for DLI subject to adjustments as further discussed herein.
3. Of the \$15,000,000 amount only \$7,500,000 is authorized for immediate disbursement, which is held in the cash account of Raymond James. The additional sum of \$2,500,000 will be drawn down from one asset class as approved by the Trustees in consultation with the Investment Consultant Raymond James. Thus the total available amount for disbursement shall not exceed \$10,000,000.
4. MPLT will only authorize additional disbursements beyond \$10,000,000 if and when the CNMI Department of Public Lands remits additional public land lease income from amounts it is holding in excess of legislatively authorized sums consistent with Attorney General Legal Opinion 18-03 which it has identified as reserve funds. Without receipt of additional new and additional funds from the Department of Public Lands there shall be no additional funds for distribution into this investment. Upon receipt of such fresh land lease funds from the Department of Public Lands those funds shall be available, up to the \$15,000,000 cap, within fifteen (15) days of receipt by MPLT. If there is no additional remittance from the Department of Public Lands by September 30, 2019 then the authorized cap pursuant to this Resolution shall be \$10,000,000 and may not be modified except as authorized by the Trustees.
5. The instrument shall be a Loan Agreement for a five-year (60 month) period starting July 1, 2019 or upon execution of the Loan Agreement, whichever is sooner, and expiring June 30, 2024 without any extension and automatically terminating without any further action of MPLT. The entire amount disbursed and invested herein shall be fully satisfied inclusive of interest on or before that date.
6. The debt service for the Typhoon Yutu CNMI Disaster Recovery Loan shall be, at a minimum, the annual interest income distributions from MPLT to the CNMI General Fund through the Legislature pursuant to Article XI Section 6 of the Constitution with authorizing legislation for such purposes. To this end, the Trustees guarantee a gross

- annual minimum interest-income distribution of no less than \$1,500,000 per year from the total income distribution from the managed portfolio for the General Fund.
7. Further, the Commonwealth shall pledge and assign all FEMA reimbursement including the \$15 million reimbursement due to the Commonwealth for the purpose of securing the Commonwealth's obligation to MPLT and to ensure that the entire loan is paid and satisfied in full on or before June 30, 2024. To be clear the Trustees express the requirement that the Commonwealth shall undertake all measures to pay MPLT first with either FEMA reimbursement funds or from any increased revenue to retire this public debt through MPLT. Because the annual interest income distributions may not be sufficient to retire the loan by June 30, 2024 the Trustees are requiring and the Commonwealth shall agree that the loan shall be fully repaid and retired on or before June 30, 2024. If the Commonwealth fails to satisfy the amount due on the loan agreement by this date, the authorizing legislation shall include a provision to allow the continued withholding of interest-income distributions until satisfied.
 8. Interest shall be charged at 7.5% per annum and shall be assessed on a monthly basis. The Secretary of Finance may pay interest whether on a monthly, quarterly or annual basis to MPLT at his discretion and subject to availability of funds. Further, at his discretion and with the reprogramming authority of the Governor, the Secretary of Finance may consider and establish a sinking/reserve fund for either a guarantee of repayment by June 30, 2024 or as security for repayment. The Trustees leave to the Secretary of Finance and Governor, in consultation with the Legislature, the fiscal prudence to plan for and appropriate the sufficient funding to satisfy the public debt to MPLT with this loan agreement.
 9. As to legislation the Trustees require authorizing legislation enacted into public law for this loan agreement as follows:
 - A. Pledge of the Full Faith and Credit of the CNMI Government is left to the discretion of the Legislature.
 - B. Amendments to HB 21-44 to reflect MPLT's terms herein
 - C. As a public debt, approval by 2/3 of the members of the Legislature
 - D. Authorization for the Secretary of Finance and Governor to enter into the agreement.
 - E. Authorization that the Executive Branch and the Office of the Attorney General shall confirm and agree to hold the MPLT Trustees, agents, consultants, counsel and personnel harmless and defend, indemnify each and all of them as to all claims and actions arising from or based on the loan agreement herein.
 - F. As part of the Loan Agreement, the Secretary of Finance shall agree to defend, hold harmless and indemnify the Trustees, their staff, agents, consultants and counsel as to all claims and actions arising from or based on the loan agreement herein.
 - G. Authorization for the Secretary of Finance and Governor to execute a Loan Agreement, Promissory Note and other transactional documents as may be required by MPLT.
 10. Written confirmation to the satisfaction of MPLT of the confirmed reimbursement to the CNMI Government from FEMA in the amount of no less than \$15 million dollars.

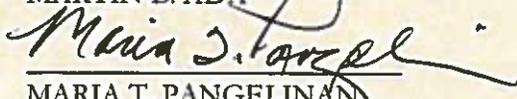
BE IT FURTHER RESOLVED, that the Trustees justify this loan agreement under DLI from their attempt to come to the assistance of the Commonwealth at a time of crisis with the Typhoon Yutu disaster and economic recovery efforts. However, in doing so the Trustees take

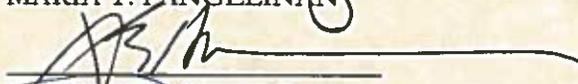
note of the continuing concerns regarding the failure of the Department of Public Lands to properly account for and remit net land lease/rental income from public lands pursuant to the CNMI Constitution which would in turn result in greater principal for investment for a larger interest income to the Commonwealth.

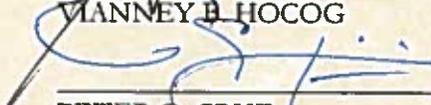
BE IT FURTHER RESOLVED, that the Trustees also urge the Administration and Legislature to engage in proactive fiscal planning and budgeting to avoid having to resort to the Trust for loans at interest rates when the Trust's role is to invest the land lease income and remit the interest income for appropriation.

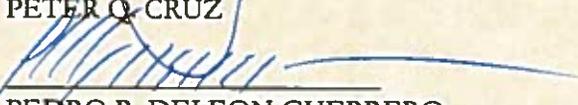
SO RESOLVED this 27 day of June 2019 by approval of the majority of the Trustees.


MARTIN B. ADA


MARIA T. PANGELINAN


MANNEY B. HOCOG


PETER Q. CRUZ


PEDRO R. DELEON GUERRERO