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LOST & DAMAGED OBLIGATIONS

House Bill 4503
Sponsor: Rep. Robert Brackenridge
Committee: Local Government

Complete to 5-8-95

A SUMMARY OF HOUSE BILL 4503 AS INTRODUCED 3-1-95

Public Act 354 of 1972 allows people to replace municipal bonds and similar obligations, or unmatured interest coupons, that have been lost, destroyed, or stolen. The replacement requires the approval by resolution of the governing body of the public corporation that issued the obligation. To obtain a replacement obligation, a person must furnish proof of ownership; proof of loss, destruction, or wrongful taking; an indemnity bond to indemnify the public corporation and paying agent (e.g., a bank); and payment of costs associated with issuing the replacement obligation.

Under House Bill 4503, a "paying agent" (e.g., a bank) could replace an obligation or a coupon that had been lost, destroyed, or wrongfully taken without approval from the governing body of the public corporation. The same documentation and conditions would still be required. The bill would specify that the person now holding the office held by the person who originally executed the obligation would be authorized to execute and seal, where necessary, a replacement obligation without further action of the governing body upon notice from the paying agent that the required conditions for issuing a replacement obligation had been satisfied.

(If there were no paying agent designated for an obligation, the governing body of the public corporation would, as now, be able to authorize issuance and delivery of a replacement obligation.)

The term "paying agent" would refer to: 1) for an obligation not registered as to payment of principal by or on behalf of the public corporation that issued the obligation, any bank or trust company designated by the public corporation to make payment of principal of or interest on the obligation; or 2) for an obligation that is registered as to payment of principal by or on behalf of the public corporation that issued the obligation, any bank or trust company authorized by the public corporation to authenticate the obligation on behalf of the public corporation.

The term "public corporation" in the act refers to a body corporate organized "to carry out a public governmental or proprietary function", including the state, an agency of the state, a school district, city, village, township, county, district, commission, authority, university, college, or any combination of those that is a corporate entity. The bill would add "intermediate school district" to the list.

A person seeking a replacement obligation must currently provide a bond of indemnity indemnifying the public corporation or paying agent. The bill would require an open penalty bond of indemnity issued by a company rated in one of the three highest rating categories and one of the top ten financial size categories by a nationally recognized insurance rating agency. The bond would also indemnify "an obligor." That term would be defined to apply to a person or entity that has borrowed the proceeds of an obligation from a public corporation and is contractually obligated to make loan repayments or a person or entity that has leased or rented or purchased on an installment basis a facility from a public corporation financed with proceeds of an obligation and is making payments to pay principal and interest on that obligation.

The bill also would delete a provision authorizing the Department of Treasury to promulgate rules to implement the act.

MCL 129.131 et al.