

GENERAL ASSEMBLY OF NORTH CAROLINA  
1987 SESSION

CHAPTER 650  
SENATE BILL 820

AN ACT AUTHORIZING THE STATE AND LOCAL GOVERNMENTAL UNITS AND ALL AGENCIES AND INSTRUMENTALITIES OF EITHER TO ISSUE CAPITAL APPRECIATION REVENUE, SPECIAL OBLIGATION AND GENERAL OBLIGATION BONDS, THE PROCEEDS OF WHICH MAY BE USED BY THE PURCHASER FOR HIGHER EDUCATION AND OTHER NEEDS.

The General Assembly of North Carolina enacts:

Section 1. It is hereby found, determined, and declared that:

1. From time to time it may be advantageous for the State and The University of North Carolina, and any agency and instrumentality of either thereof (the "State") and any county, city, town, special district, authority or other political subdivision and any agency and local instrumentality of any thereof ("local governmental unit") to issue revenue, special obligation and general obligation bonds at a substantial discount ("capital appreciation bonds" as hereinafter defined) and on which all or a portion of the interest thereon is deferred and paid at the maturity or redemption thereof;

2. Capital appreciation bonds are sometimes known as zero coupon bonds, compound interest bonds, municipal multiplier bonds, capital accumulator bonds and, as such, are sometimes attractive to purchasers thereof in that the value of capital appreciation bonds will increase over the years, based upon an internal compounding of interest, in whole or in part, without requiring an owner thereof to reinvest any such interest so compounded;

3. The purchase of capital appreciation bonds may assist parents in paying the cost of higher education for children which will occur at a time substantially in the future; and

4. It is desirable to facilitate the issuance and purchase of capital appreciation bonds in circumstances where it is in the best interests of the State and local governmental units and the inhabitants thereof.

Sec. 2. The State and local governmental units are hereby authorized to issue capital appreciation bonds pursuant to the provisions of The State and Local Government Revenue Bond Act and to the extent that the provisions of said act are inconsistent with the issuance of such bonds, such inconsistent provisions are hereby amended to the extent of such inconsistency so as to permit the issuance of such bonds.

Sec. 3. Local governmental units are hereby authorized to issue capital appreciation bonds pursuant to the provisions of The Local Government Bond Act and to the extent that the provisions of said act are inconsistent with the issuance of such

bonds, such inconsistent provisions are hereby amended to the extent of such inconsistency so as to permit the issuance of such bonds.

Sec. 4. The State is hereby authorized to issue capital appreciation bonds pursuant to the provisions of applicable law and to the extent that the provisions of such law are inconsistent with the issuance of such bonds, such inconsistent provisions are hereby amended to the extent of such inconsistency so as to permit the issuance of such bonds.

Sec. 5. The State and local governmental units are hereby authorized to issue capital appreciation bonds pursuant to the provisions of any law hereafter enacted, including laws enacted at the same session of the General Assembly at which this act is enacted, and to the extent that the provisions of such laws are inconsistent with the issuance of such bonds and provided such provisions are not expressly contrary, such inconsistent provisions are hereby amended to the extent of such inconsistency so as to permit the issuance of such bonds.

Sec. 6. For purposes of this act, the term "capital appreciation bonds" means any bond or bonds sold, at public or private sale, at a price substantially less, as conclusively determined by the issuer thereof, than the principal amount thereof and compounded interest thereon payable at maturity, but only if such bond or bonds are designated as capital appreciation bonds within the meaning of this act by the proceedings of the issuer thereof providing for the issuance of such bonds. For purposes of calculating the aggregate principal amount of bonds within the meaning of any constitutional or statutory limitation on the incurrence of debt, the aggregate principal amount of any capital appreciation bonds shall be the aggregate of the initial offering prices at which such bonds are offered for sale to the public, including private or negotiated sales, or sold to the initial purchaser thereof in a private placement, in either case without reduction to reflect underwriters' discount or placement agents' or other intermediaries' fees.

The proceedings providing for the issuance of any such bonds may provide for the issuance of terms bonds or serial bonds, or both, the establishment of sinking funds for or the redemption of term bonds, the issuance of capital appreciation bonds at the same time and as part of the same issue of any other type of bonds, the method of calculating the principal amount of any such capital appreciation bonds outstanding for the purpose of determining, within the meaning of such proceedings and otherwise, application of debt service provisions, funds into which debt service payments are to be deposited, application of redemption provisions, bondowners' voting rights and consents, pro rata application of available funds and such other matters as may be deemed appropriate by the issuer.

Sec. 7. In connection with the issuance of a series of bonds containing capital appreciation bonds issued by local governmental units pursuant to The Local Government Bond Act, the Local Government Commission is hereby authorized to require that annual debt service on such series of bonds be as nearly level or equal as possible taking into consideration prevailing financial techniques, including, without limitation, the postponement of principal maturities in early years of the issue and the use of capitalized interest. The Local Government Commission is hereby further

authorized to limit the amount of a series of bonds that may be issued as capital appreciation bonds and to make the issuance of any such capital appreciation bonds subject to a finding by the Commission or the issuer that the issuance of such bonds will not increase the aggregate amount of debt service payable on such series of bonds of which such capital appreciation bonds constitute a part.

Sec. 8. If, and to the extent that, the State or any local governmental unit is empowered to issue capital appreciation bonds under existing law, the provisions of this act shall be deemed to provide an additional and alternative method for the issuance of such bonds and shall be regarded as supplemental and additional to such power conferred under existing law, and shall not be regarded as in derogation of any power now existing.

Sec. 9. If the provisions of this act are inconsistent with the provisions of any existing law, the provisions of this act shall be controlling.

Sec. 10. If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

Sec. 11. This act is effective upon ratification.

In the General Assembly read three times and ratified this the 21st day of July, 1987.