

12A.5 Reserve funds.

1. An issuer may create and establish one or more special funds, to be known as bond reserve funds, to secure one or more issues of bonds. The issuer shall pay into each bond reserve fund any moneys appropriated and made available by the state for the purpose of that reserve fund, any proceeds of the sale of bonds to the extent provided in the authorizing documents, and any other moneys which may be legally available from any other sources and which the issuer determines to deposit in the reserve fund. All moneys held in a bond reserve fund, except as otherwise provided in this chapter, shall be used solely for the payment of the principal of bonds secured in whole or in part by the fund or other payments with respect to the bonds, the purchase or redemption of the bonds, the payment of interest on the bonds, or the payments of any redemption premium required to be paid when the bonds are redeemed prior to maturity, all in accordance with the authorizing documents.

2. Except as otherwise specified in the authorizing documents, moneys in a bond reserve fund shall not be withdrawn at any time in an amount that will reduce the amount of the fund to less than the bond reserve fund requirement established for the fund, except for the purpose of making payment as described in subsection 1. For the purposes of this chapter, “*bond reserve fund requirement*” means, as of any particular date of computation, the amount of moneys, provided in the authorizing documents with respect to which the fund is established. Any income or interest earned by, or incremental to, a bond reserve fund due to its investment may be transferred to other funds or accounts as provided in the authorizing documents to the extent the transfer does not reduce the amount of that bond reserve fund below its bond reserve fund requirement.

3. The issuer shall not at any time issue bonds, secured in whole or in part by a bond reserve fund if, upon the issuance of the bonds, the amount in the bond reserve fund for the bonds will be less than the bond reserve fund requirement for the fund, unless the issuer at the time of issuance of the bonds deposits in the fund from the proceeds of the bonds issued or from other legally available sources an amount which, together with the amount then in the fund, will not be less than the bond reserve fund requirement for the fund.

2007 Acts, ch 133, §5; 2008 Acts, ch 1065, §5