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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1719 Session of  
2001

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INTRODUCED BY STEELMAN, BEBKO-JONES, BELARDI, CALTAGIRONE,  
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STABACK, SURRA, THOMAS, TRAVAGLIO, TRELLO, TRICH,  
C. WILLIAMS, WOJNAROSKI AND YUDICHAK, JUNE 11, 2001

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REFERRED TO COMMITTEE ON HEALTH AND HUMAN SERVICES,  
JUNE 11, 2001

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AN ACT

1 Providing for the establishment, implementation and  
2 administration of the Pennsylvania Biomedical Research  
3 Authority; imposing powers and duties on a board of trustees;  
4 providing for the issuance of notes and bonds; and making an  
5 appropriation.

6 The General Assembly of the Commonwealth of Pennsylvania  
7 hereby enacts as follows:

8 Section 1. Short title.

9 This act shall be known and may be cited as the Pennsylvania  
10 Biomedical Research Authority Act.

11 Section 2. Legislative intent.

12 The General Assembly finds and declares as follows:

13 (1) Pennsylvania's teaching colleges, academic health  
14 centers and cancer research institutes have allowed this  
15 Commonwealth to become a national leader in medical education  
16 and research.

1           (2) Health care, the largest nonagriculture segment of  
2       this Commonwealth's economy, accounts for more than 14% of  
3       the domestic State product.

4           (3) At the heart of this Commonwealth's pharmaceutical  
5       and emerging biotechnology industries is medical research for  
6       which Pennsylvania provides no direct support or investment.

7           (4) Many academic health centers have reorganized their  
8       research operations to encourage technology transfer and to  
9       allow these institutions to share in the intellectual  
10      property created by researchers at the institutions.

### 11 Section 3. Definitions.

12      The following words and phrases when used in this act shall  
13      have the meanings given to them in this section unless the  
14      context clearly indicates otherwise:

15      "Authority." The Pennsylvania Biomedical Research Authority.

16      "Biomedical company." A person whose headquarters or base of  
17      operations is located in this Commonwealth, engaged in the  
18      research, development, production or provision of biomedicine  
19      for the purpose of developing or providing products, processes  
20      or technologies for specific commercial or public purposes,  
21      including, but not limited to, medical, pharmaceutical and  
22      nutritional and other health-related purposes, or a person whose  
23      headquarters or base of operations is located in this  
24      Commonwealth who is engaged in providing services or products  
25      necessary for such research, development, product or provision  
26      of service. The term includes bioinformatics, biomedicine,  
27      biopharmacogenomics, biopharmaceuticals, biorobotics,  
28      bioscience, biotechnology and genome research companies.

29      "Biomedicine." The continually expanding body of fundamental  
30      knowledge about the structure and function of biological systems

1 which seeks, through research, to use that knowledge of  
2 naturally occurring processes to develop products, services and  
3 technologies to address medical problems, prolong life and  
4 prevent and treat disease.

5 "Board." The board of directors of the Pennsylvania  
6 Biomedical Research Authority.

7 "Bonds." Bonds, notes or other evidences of indebtedness  
8 issued by the authority pursuant to this act.

9 "Clinical trials." Tests conducted at a site located within  
10 this Commonwealth that has been approved for conducting studies  
11 on the efficacy of drugs and other pharmaceutical products  
12 leading to approval by the United States Food and Drug  
13 Administration.

14 "Financial manager." An organization authorized to do  
15 business in this Commonwealth that:

16 (1) is authorized to act as a trustee pursuant to the  
17 provisions of the Employee Retirement Income Security Act of  
18 1974 (Public Law 93-406, 88 Stat. 829) or an insurance  
19 company;

20 (2) (i) is licensed or chartered by the Insurance  
21 Department or Department of Banking;

22 (ii) is chartered by an agency of the Federal  
23 Government; or

24 (iii) is subject to the jurisdiction of the Federal  
25 Securities and Exchange Commission; and

26 (3) provides or secures venture capital.

27 "Fund." The Biomedical Research Revolving Fund.

28 "Governmental unit." Any agency of the Commonwealth or any  
29 county, municipality or school district, or any agency,  
30 instrumentality, authority or corporation thereof, or any public

1 body having local or regional jurisdiction or power.

2 "Master Settlement Agreement." The settlement agreement and  
3 related documents entered into on November 23, 1998, by the  
4 Commonwealth and leading tobacco product manufacturers and  
5 approved by the court in Commonwealth v. Philip Morris, April  
6 Term 1997, No.2443 (CP Philadelphia County), on January 13,  
7 1999.

8 "Public school retirement system." The retirement system for  
9 public school employees created pursuant to 24 Pa.C.S. (relating  
10 to education).

11 "Research center." An academic health center, medical school  
12 or Federally approved cancer research center located within this  
13 Commonwealth.

14 "State Employees' Retirement System." The retirement system  
15 for State employees created pursuant to 71 Pa.C.S. (relating to  
16 State government).

17 "Venture capital." A financial investment that results in  
18 the acquisition of equity interests or a combination of debt and  
19 equity interests which is expected to grow substantially in the  
20 future and in which the expected return on investment is to come  
21 predominantly from an increase in the value of the equity  
22 interests.

23 Section 4. Creation of Pennsylvania Biomedical Research  
24 Authority.

25 (a) Establishment.--There is hereby established a body  
26 corporate and politic, with corporate succession, to be known as  
27 the Pennsylvania Biomedical Research Authority. The authority is  
28 constituted an instrumentality of the Commonwealth, and the  
29 exercise by the authority of the powers conferred by this act  
30 shall be deemed and held to be a public and essential

1 governmental function.

2 (b) Membership.--The authority shall consist of an 11-member  
3 board of directors composed of:

4 (1) The Physician General.

5 (2) The Secretary of Health.

6 (3) The Secretary of Community and Economic Development.

7 (4) Two Senators, one each to be appointed by the  
8 President pro tempore of the Senate and the Minority Leader  
9 of the Senate.

10 (5) Two members of the House of Representatives, one  
11 each to be appointed by the Speaker of the House of  
12 Representatives and the Minority Leader of the House of  
13 Representatives.

14 (6) Four persons to be appointed by the Governor, who  
15 shall serve for a term of two years and shall be eligible for  
16 reappointment as follows:

17 (i) One shall be a licensed physician in this  
18 Commonwealth.

19 (ii) One shall be a representative of a biomedical  
20 company or a trade or regional association that  
21 represents biomedical companies.

22 (iii) One shall be a representative of a health  
23 consumer interest group.

24 (iv) One shall be a representative of a research  
25 center.

26 (c) Officers.--The Secretary of Community and Economic  
27 Development shall be the chairman and chief executive officer of  
28 the authority. The board shall biannually elect a vice chairman.  
29 The board shall select a secretary and treasurer who need not be  
30 members of the board, and the same person may be selected to

1 serve as both secretary and treasurer.

2 (d) Vesting of powers.--The powers of the authority shall be  
3 vested in the board in office from time to time, and eight  
4 members of the board shall constitute a quorum at any meeting.  
5 Action may be taken and motions and resolutions adopted by the  
6 authority by the affirmative vote of at least seven members of  
7 the board. No vacancy on the board shall impair the right of a  
8 quorum of the members of the board to exercise the powers and  
9 perform the duties of the authority.

10 (e) Designees.--Each public officer member of the board may  
11 designate an officer or employee of the Commonwealth to  
12 represent him at meetings of the board. Each designee may  
13 lawfully vote and otherwise act on behalf of the member of the  
14 board for whom he constitutes the designee. The designation  
15 shall be in writing delivered to the authority and shall  
16 continue in effect until revoked or amended in writing delivered  
17 to the authority.

18 (f) Services.--Research, investigation and other services  
19 necessary for the operation of the board shall be carried out  
20 from resources and by employees from the various executive  
21 departments represented on the board. All applicable  
22 Commonwealth departments and agencies shall cooperate with and  
23 provide assistance to the board, which may at its discretion  
24 provide financial reimbursement.

25 (g) Dissolution.--The authority may be dissolved by law,  
26 provided that the authority has no bonds or other debts or  
27 obligations outstanding or that provision has been made for the  
28 payment or retirement of all such bonds, debts and obligations.  
29 Upon any dissolution of the authority, all property, funds and  
30 assets of the authority shall be vested in the Commonwealth.

(h) Credit and taxing power of the Commonwealth.--The authority shall have no power at any time to pledge the credit or taxing power of the Commonwealth or any of its municipalities or political subdivisions nor shall any of its obligations be deemed to be obligations of the Commonwealth or any of its political subdivisions.

Section 5. Revenues of authority.

(a) Sources of revenues.--The authority may receive money from sources of revenue, including, but not limited to, the following:

- (1) State funds appropriated to the authority.
- (2) Federal funds appropriated to or granted to the authority.
- (3) Venture capital from private companies.
- (4) Proceeds from the sale of bonds of the authority authorized under section 7.
- (5) Proceeds from the sale of authority assets.
- (6) Repayment of loan principal.
- (7) Payment of interest on loans made by the authority.
- (8) Interest earned on the investment of authority moneys.
- (9) Proceeds from licensing fees, royalties or any other intellectual property source.

(b) Control of revenues; investment of funds.--The board shall have exclusive control and management of all moneys of the authority and full power to invest moneys not required for immediate use in any securities or other investments in which funds of the Commonwealth are authorized to be invested and in any other type of security or investment if, prior to the acquisition of the securities or investments, the board

determines by resolution that the type of security or investment is in the best interests of the authority and the State Treasurer approves of the type of security or other investment.

(c) Fiduciary status of board.--

(1) The members of the board, employees of the board and agents thereof shall stand in a fiduciary relationship regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto. The board may, when possible and consistent with its fiduciary duties imposed by this subsection or other law, including its obligation to invest and manage the fund, consider whether an investment in any project or business enhances and promotes the general welfare of this Commonwealth and its citizens, including, but not limited to, investments that increase and enhance the employment of Commonwealth residents and stimulate further investment and economic activity in this Commonwealth.

(2) In determining whether an investment meets the standard of prudence, the board may consider, together with the expected return on and the risk characteristics of the particular investment, the actual and expected future returns and the risk characteristics of the total venture capital investments held by the board at the time and the degree to which the proposed new investment would promote further diversification within the venture capital asset class.

(3) The board in its prudent discretion may make any investments which meet the standard of prudence set forth in paragraph (1) by becoming:

(i) a limited partner in partnerships that will hold or make the investments or by acquiring stocks or shares



1 or units of participation or otherwise participating  
2 beneficially in the fund of any corporation or trust  
3 organized or created and existing under the laws of the  
4 United States or of this Commonwealth, if the liability  
5 of the fund shall be limited to the amount of its  
6 investment;

7 (ii) by supporting clinical trials of any drug or  
8 pharmaceutical in exchange for a financial interest in  
9 that drug or pharmaceutical or the company developing  
10 that drug or pharmaceutical; or

11 (iii) by supporting research at a research center  
12 that the board believes has a reasonable expectation of  
13 resulting in a product or service which can or will be  
14 transferred to a biomedical company, in exchange for  
15 future financial consideration.

16 (d) Legislative declaration concerning certain authorized  
17 investments.--The General Assembly finds and declares that  
18 authorized investments of the fund made by or on behalf of the  
19 board under this section whereby the board becomes a joint owner  
20 or stockholder in any company, corporation or association are  
21 outside the scope of the original intent of and therefore do not  
22 violate the prohibition set forth in section 8 of Article VIII  
23 of the Constitution of Pennsylvania.

24 (e) Limitations on investments.--Notwithstanding any other  
25 provision of this act to the contrary, the board shall invest  
26 the moneys in the fund exclusively to provide grants and loans  
27 to or take an equity interest in biomedical business ventures,  
28 including supporting research and product development and  
29 transfer at research centers and supporting clinical trials,  
30 within this Commonwealth. The board may make these investments

1 directly or through an approved financial manager.

2 (f) General fund and other separate funds or accounts.--

3 (1) The board shall establish a general fund from which  
4 it may authorize expenditures for any of the purposes of this  
5 act.

6 (2) The board shall establish and administer a  
7 Biomedical Research Revolving Fund and may establish such  
8 other separate revolving funds and accounts when determined  
9 by the board to be necessary or convenient. The board may  
10 deposit no more than \$725,000,000 in funds and accounts  
11 established under this paragraph from the sources specified  
12 in subsection (a)(4) and (5). This limitation shall not apply  
13 to any Federal funds.

14 (3) The board may also establish such nonrevolving funds  
15 and accounts as it deems necessary or convenient. Any funds  
16 from sources specified in subsection (a)(4) and (5) which are  
17 not deposited in the board's revolving funds and accounts  
18 shall be deposited into these nonrevolving funds and  
19 accounts.

20 (g) Loan repayment.--Subject to any agreement with the  
21 holders of bonds, repayments of loan principal, together with  
22 any interest thereon, shall be deposited with the authority.  
23 Repayments from loans made from revolving funds and accounts may  
24 be deposited in such funds and accounts as the board shall  
25 determine. Repayments from other loans shall be deposited in  
26 nonrevolving funds and accounts for the purpose of repayment of  
27 general obligation bonds of the Commonwealth issued under the  
28 authority of this act. The board shall maintain such separate  
29 funds and accounts as may be necessary for the deposit of  
30 payments made under authority or requirement of Federal or State

1 law.

2 Section 6. Powers and duties of authority.

3 The authority shall have and may exercise all powers  
4 necessary or appropriate to carry out and effectuate the  
5 purposes of this act, including, but not limited to, the  
6 following:

7 (1) Conduct examinations and investigations and take  
8 testimony, under oath or affirmation, on any matter necessary  
9 to the determination and approval of project applications.

10 (2) Sue and be sued, implead and be impleaded, complain  
11 and defend in all courts.

12 (3) Adopt, use and alter at will a corporate seal.

13 (4) (i) Make bylaws for the management and regulation  
14 of its affairs and make and, from time to time, adopt,  
15 amend and repeal rules and regulations governing the  
16 administrative procedures and business of the authority.

17 (ii) Notwithstanding subparagraph (i) and in order  
18 to facilitate the speedy implementation of the Biomedical  
19 Research Program, the board shall have the power and  
20 authority to promulgate, adopt and use guidelines that  
21 shall be published in the Pennsylvania Bulletin. The  
22 guidelines shall be subject to review pursuant to section  
23 204(b) of the act of October 15, 1980 (P.L.950, No.164),  
24 known as the Commonwealth Attorneys Act, and shall not be  
25 subject to review pursuant to the act of June 25, 1982  
26 (P.L.633, No.181), known as the Regulatory Review Act,  
27 and shall be effective for a period not to exceed two  
28 years from the effective date of this act.

29 (iii) After expiration of the two-year period, all  
30 guidelines relating to the Biomedical Research Program

1 shall expire and shall be replaced by regulations which  
2 shall have been promulgated, adopted and published as  
3 provided by law.

4 (5) Make contracts of every name and nature and execute  
5 all instruments necessary or convenient for the carrying on  
6 of its business.

7 (6) Accept grants from and enter into contracts or other  
8 transactions with any Federal, State or local agency.

9 (7) Provide financial assistance, including, but not  
10 limited to, grants, loans, loan guarantees, bond guarantees  
11 and grants for projects fulfilling the purposes of this act.

12 (8) Collect fees and charges and revenue from licensing  
13 fees, royalties and other intellectual property sources  
14 relating to projects funded under this act, as the board  
15 determines to be reasonable, relating to activities  
16 undertaken in furtherance of the purposes of this act.

17 (9) Borrow money and issue bonds and provide for the  
18 right of holders thereof in accordance with the provisions of  
19 this act.

20 (10) Pledge, hypothecate or otherwise encumber all or  
21 any of the revenues or receipts of the authority as security  
22 for all or any of the bonds of the authority.

23 (11) Receive appropriations and apply for and accept  
24 grants, gifts, donations, bequests and settlements from any  
25 public or private source.

26 (12) Acquire, own, hold, construct, improve,  
27 rehabilitate, renovate, operate, maintain, sell, assign,  
28 exchange, lease, mortgage or otherwise dispose of real and  
29 personal property or any interest therein in the exercise of  
30 its powers and the performance of its duties under this act.

1           (13) Procure insurance against any loss in connection  
2 with its property and other assets and operations in any  
3 amounts and from any insurers as it deems desirable.

4           (14) Contract for the services of attorneys, accountants  
5 and financial experts and any other advisors, consultants and  
6 agents as may be necessary in its judgment, subject to the  
7 requirement that the chairman shall ensure that minority-  
8 owned or minority-controlled firms shall have an opportunity  
9 to participate to a significant degree in the provision of  
10 any contractual services purchased by the authority.

11           (15) Subject to any agreement with holders of its bonds,  
12 notes or other obligations, purchase bonds, notes and other  
13 obligations of the authority.

14           (16) Subject to any agreement with holders of its bonds,  
15 notes or other obligations, obtain as security for payment of  
16 all or any part of the principal of and interest and premium  
17 on the bonds, notes and other obligations of the authority,  
18 lines of credit and letters of credit in any amounts and upon  
19 any terms as the authority may determine, and pay any fees  
20 and expenses required in connection therewith.

21           (17) Do any act necessary or convenient to the exercise  
22 of the powers enumerated in this section or reasonably  
23 implied therefrom.

24           (18) Prepare plans and reports and provide for public  
25 participation as deemed appropriate.

26           (19) Fund prefeasibility studies from any of its sources  
27 of revenue.

28           (20) Establish an equity interest in any company that  
29 receives assistance from the fund in a measure determined on  
30 a valuation of the amount of the assistance and to acquire

1 and sell security interests at public or private sale; to  
2 negotiate modifications or alterations to security interests;  
3 to foreclose on security interest in default or commence any  
4 action to protect or enforce any right conferred upon it by  
5 any law, security agreement, contract or other agreement; to  
6 bid for and purchase property which was the subject of such  
7 security interest at any foreclosure or at any other sale; to  
8 acquire or take possession of any such property; and to  
9 exercise any and all rights as provided by law for the  
10 benefit or protection of the authority or security interest  
11 holders.

12 (21) To make and execute contracts and to pay the  
13 reasonable value of services rendered to the authority  
14 pursuant to those contracts.

15 Section 7. Specific power to issue bonds.

16 (a) Principal amounts.--The authority may issue its bonds,  
17 notes or other obligations in principal amounts as in the  
18 judgment of the authority shall be necessary, but not to exceed  
19 a total sum of \$100,000,000, to provide sufficient funds for any  
20 of its corporate purposes. Corporate purposes shall be deemed to  
21 include:

22 (1) The payment, funding or refunding of the principal  
23 of or interest or redemption premiums on any bonds issued by  
24 it, whether the bonds to be funded or refunded have or have  
25 not become due.

26 (2) The establishment or increase of reserves to secure  
27 or to pay the bonds or interest thereon.

28 (3) All other costs or expenses of the authority  
29 incident to and necessary to carry out its corporate purposes  
30 and powers.

1 (b) Negotiable instrument designation.--Whether or not the  
2 bonds are of a form and character as to be negotiable  
3 instruments under the terms of 13 Pa.C.S. (relating to  
4 commercial code), the bonds are made negotiable instruments  
5 within the meaning of and for the purposes of 13 Pa.C.S.,  
6 subject only to the provisions of the bonds for registration.

7 (c) Resolution; terms of bonds.--Bonds shall be authorized  
8 by resolution of the board, may be issued in one or more series  
9 and shall bear any date or dates, mature at any time or times  
10 not later than 35 years from the date of issuance thereof, bear  
11 interest at any rate or rates or at variable rates, be in any  
12 denomination or denominations, be in any form, either coupon or  
13 registered, carry any conversion or registration privileges,  
14 have any rank or priority, be executed in any manner, be payable  
15 from such sources in any medium of payment at any place or  
16 places within or without this Commonwealth and be subject to any  
17 terms of redemption, purchase or tender by the authority or the  
18 holders thereof, with or without premium, as the resolution or  
19 resolutions may provide. A resolution of the authority  
20 authorizing the issuance of bonds may provide that the bonds be  
21 secured by a trust indenture between the authority and a  
22 trustee, vesting in the trustee any property, rights, powers and  
23 duties in trust consistent with the provisions of this act as  
24 the authority may determine. Such resolution may further provide  
25 for the acquisition of credit enhancement devices such as bond  
26 insurance, letters of credit or any other instruments to carry  
27 out the provisions of this section.

28 (d) Public or private sale.--Bonds shall be sold initially  
29 at public sale at any price or prices and in any manner as the  
30 authority may determine, subject to the requirement that the

1 chairman shall ensure that minority-owned or minority-controlled  
2 firms shall have an opportunity to participate to a significant  
3 degree in any bond sale activities. Any portion of any bond  
4 issue so offered and not sold or subscribed for may be disposed  
5 of by private sale by the authority in such manner and at such  
6 prices as the authority shall direct.

7 (e) No prior preconditions on bond issuance.--Bonds may be  
8 issued under the provisions of this act without obtaining the  
9 consent of any department, division, board, bureau or agency of  
10 the Commonwealth and without any other proceeding or the  
11 happening of any other conditions or other things than those  
12 proceedings, conditions or things which are specifically  
13 required by this act.

14 (f) Limitation on obligations.--Bonds issued under the  
15 provisions of this act shall not be a debt or liability of the  
16 Commonwealth or of any of its political subdivisions other than  
17 the authority and shall not create or constitute any  
18 indebtedness, liability or obligation of the Commonwealth or of  
19 any political subdivision. All bonds shall be payable solely  
20 from revenues or funds pledged or available for their payment as  
21 authorized in this act, including the proceeds of any issue of  
22 bonds. Each bond shall contain on its face a statement to the  
23 effect that the authority is obligated to pay the principal  
24 thereof or the interest thereon only from its revenues, receipts  
25 or funds pledged or available for their payment as authorized in  
26 this act, that neither the Commonwealth nor any political  
27 subdivisions are obligated to pay the principal or interest and  
28 that neither the faith and credit nor the taxing power of the  
29 Commonwealth or any political subdivision is pledged to the  
30 payment of the principal of or the interest on the bonds.



(g) Nature of obligation and payment.--Each issue of bonds may, if it is determined by the authority, be general obligations of the authority payable out of any revenues, receipts or funds of the authority, or special obligations payable out of particular revenues, receipts or funds, subject only to agreements with the holders of the bonds. Bonds may be secured by one or more of the following:

(1) Pledges of revenues and other receipts to be derived from the payment of the interest on and any principal of notes and bonds issued by one or more governmental units and purchased by the authority, and any other payment made to the authority pursuant to agreements with any governmental unit or a pledge or assignment of any notes and bonds of any governmental units, and the rights and interests of the authority therein.

(2) Pledges of loan payments, rentals, other revenues to be derived from loan agreements, leases or other contractual arrangements with any person or entity, public or private, or a pledged or assignment of any such loan agreements, leases or other contractual arrangements, and the rights and interests of the authority therein.

(3) Pledges of grants, subsidies, contributions, appropriations or other payments to be received from the Federal Government or any instrumentality thereof or from the Commonwealth, any Commonwealth agency or other governmental unit.

(4) Pledges of all moneys, funds, accounts, securities and other funds, including the proceeds of the bonds.

(5) Mortgages and security interests covering all or part of any project or other property of any person or

entity, real or personal, then owned or thereafter to be acquired, or a pledge or assignment of mortgages and security interests made or granted to the authority by any person or entity, and the rights and interests of the authority therein.

(h) Exemption from taxation.--All bonds and notes issued under the provisions of this section shall be exempt from taxation for State and local purposes.

Section 8. Covenants and express conditions on obligations.

In any resolution of the authority authorizing or relating to the issuance of bonds, the authority, in order to secure payment of the bonds, and, in addition to its other powers, may, by provisions in the resolution which shall constitute covenants by the authority and contracts with the holders of the bonds, do the following:

(1) Secure the bonds.

(2) Make covenants against pledging all or part of its revenues or receipts to other parties.

(3) Make covenants limiting its right to sell, pledge or otherwise dispose of notes and bonds of governmental units, loan agreements of public or private persons or entities, or other property of any kind.

(4) Make covenants as to additional bonds to be issued, the limitations thereon, the terms and conditions thereof, and the custody, application, investment and disposition of the proceeds thereof.

(5) Make covenants as to the incurring of other debts by it.

(6) Make covenants as to the payment of principal of or interest on bonds, the sources and methods of the payment,

1 the rank or priority of bonds with respect to liens or  
2 security interests or the acceleration of maturity of bonds.

3 (7) Provide for replacement of lost, stolen, destroyed  
4 or mutilated bonds.

5 (8) Make covenants as to the redemption, purchase or  
6 tender of bonds by the authority, or the holders thereof, and  
7 the privileges of exchanging them for other bonds.

8 (9) Make covenants to create or authorize the creation  
9 of special funds or accounts to be held in trust or otherwise  
10 for the benefit of holders of bonds, or of reserves for other  
11 purposes and as to the use, investment and disposition of  
12 moneys held in those funds, accounts or reserves.

13 (10) Provide for the rights, liabilities, powers and  
14 duties arising upon the breach of a covenant, condition or  
15 obligation and prescribe the events of default and the terms  
16 and conditions upon which any or all of the bonds shall  
17 become or may be declared due and payable before maturity and  
18 the terms and conditions upon which the declaration and its  
19 consequences may be waived.

20 (11) Vest in a trustee or trustees within or without  
21 this Commonwealth in trust any property, rights, powers and  
22 duties as the authority may determine. These may include any  
23 or all of the rights, powers and duties of any trustee  
24 appointed by the holders of bonds or notes, including rights  
25 with respect to the sale or other disposition of notes and  
26 bonds of governmental units and other instruments and  
27 security pledged pursuant to a resolution or trust indenture  
28 for the benefit of the holders of bonds and the right, by  
29 suit or action, to foreclose any mortgage pledged pursuant to  
30 the resolution or trust indenture for the benefit of the

1 holders of the bonds, notes or other obligations, and to  
2 limit the right of the holders of any bonds to appoint a  
3 trustee under this act and to limit the rights, powers and  
4 duties of the trustee.

5 (12) Pay the costs or expenses incident to the  
6 enforcement of the bonds or the provisions of the resolution  
7 authorizing the issuance of those bonds, or the trust  
8 indenture securing the bonds or any covenant or agreement of  
9 the authority with the holders of the bonds, notes or other  
10 obligations.

11 (13) Limit the rights of the holders of any bonds to  
12 enforce any pledge or covenant securing bonds.

13 (14) Make covenants other than or in addition to the  
14 covenants authorized by this act of like or different  
15 character and make covenants to do or refrain from doing any  
16 acts and things as may be necessary, or convenient and  
17 desirable, in order to better secure bonds or which, in the  
18 absolute discretion of the authority, will tend to make bonds  
19 more marketable, notwithstanding that the covenants, acts or  
20 things may not be enumerated in this act.

21 Section 9. Nature and effect of pledges.

22 A pledge of revenues, receipts, moneys, funds or other  
23 property or instruments made by the authority shall be valid and  
24 binding from the time when the pledge is made. The revenues,  
25 receipts, moneys, funds or other property pledged and thereafter  
26 received by the authority shall be immediately subject to the  
27 lien of the pledge without its physical delivery or further act,  
28 and the lien of any pledge shall be valid and binding as against  
29 all parties having claims of any kind in tort, contract or  
30 otherwise against the authority irrespective of whether the

1 parties have notice of the lien. Neither the resolution nor any  
2 other instrument by which a pledge under this section is created  
3 or evidenced need be filed or recorded except in the records of  
4 the authority.

5 Section 10. State Employees' Retirement System and Public  
6 School Employees' Retirement System.

7 The State Employees' Retirement System and the Public School  
8 Employees' Retirement System are authorized to invest funds  
9 through the authority, to make investments in conjunction with  
10 that authority, to partner with the authority or any financial  
11 manager contracting with the authority in making investments in  
12 biomedicine. Investments and commitment of funds shall meet the  
13 same fiduciary standard applied to investments made by the  
14 authority and shall be deemed to meet the applicable fiduciary  
15 standard for each retirement system. Investments or commitment  
16 of funds shall not apply against any limitation in statute or  
17 regulation on the amount or percentage of retirement system  
18 funds that can be invested in high-risk ventures.

19 Section 11. Appropriation.

20 A one-time appropriation of \$150,000,000 shall be made from  
21 the revenue received pursuant to the Master Settlement Agreement  
22 and an annual appropriation shall be made of an amount  
23 sufficient to carry out the purposes of this act.

24 Section 12. Effective date.

25 This act shall take effect in 60 days.