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May 15, 2017

PART 2—With Exhibit 6

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

***Re: Comments on Proposed Amendments to Rule 15c2-12, SEC Rel. No. 34-80130
(File No. S7-01-17)***

Ladies and Gentlemen:

Thank you for this opportunity to comment on the amendments proposed by the Securities and Exchange Commission to the Commission's Rule 15c2-12, 17 C.F.R. §240.15c2-12, Municipal securities disclosure.

I have been involved in varying capacities in the municipal securities market since 1973, and consider myself to be qualified to provide both an historical perspective and constructive comments. My experience includes, on one hand, working closely with issuers (and borrowers) as legal counsel and as financial advisor, and on the other hand, investing in municipal securities.

The Commission's proposal identifies key information that, when material, reasonable investors want to know, both in primary offerings and in the secondary market.¹ Reasonable investors in the secondary market would not want to purchase bonds, or want their bond funds to purchase bonds, issued by issuers that, since the date of bond issuance, entered into substantial undisclosed private debt, issued undisclosed private debt with a senior priority of payment, became the subject of an undisclosed crushing judicial award, or while in financial difficulty, modified the terms of other debt to avoid a default. Yet, today, there are issuers (and borrowers) that do not disclose such occurrences to the secondary market.

¹ Although I am generally supportive of the content of the Commission's proposal, I am disappointed that the Commission is not proposing to eliminate the requirement for issuer disclosure of rating changes, given that the rating agencies now provide that same information to EMMA. The redundancy causes unnecessary burdens on issuers.

I also believe that the Commission has under estimated the amount of time that the proposal will require for compliance.

EXHIBITS TO LETTER OF COMMENT OF ROBERT DOTY**List of Exhibits (File S7-01-17)**

Exhibit No.	Source	Title	Year Published
1	Robert Doty	Municipal Securities Market Recognition of Market Guidance	2017
2	Municipal Finance Journal	15-Year Anniversary of the Disclosure Guidelines for State and Local Government Securities	1991
3	Municipal Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1976
4	Municipal Finance Officers Association	Guidelines for Use by State and Local Governments in the Preparation of Yearly Information Statements and Other Current Information	1978
5	Municipal Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1979
6	Government Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1988
7	Government Finance Officers Association	Disclosure Guidelines for State and Local Government Securities	1991
8	National Federation of Municipal Analysts	Recommended Best Practices in Disclosure for General Obligation and Tax-Supported Debt	2001
9	American Bar Association and National Association of Bond Lawyers	Excerpt from Disclosure Roles of Counsel in State and Local Government Securities Offerings	2009

EXHIBIT 6

**GOVERNMENT FINANCE OFFICERS ASSOCIATION,
DISCLOSURE GUIDELINES
FOR STATE AND LOCAL GOVERNMENT SECURITIES (1988)**

Disclosure Guidelines for State and Local Government Securities

January 1988

Government Finance Officers Association

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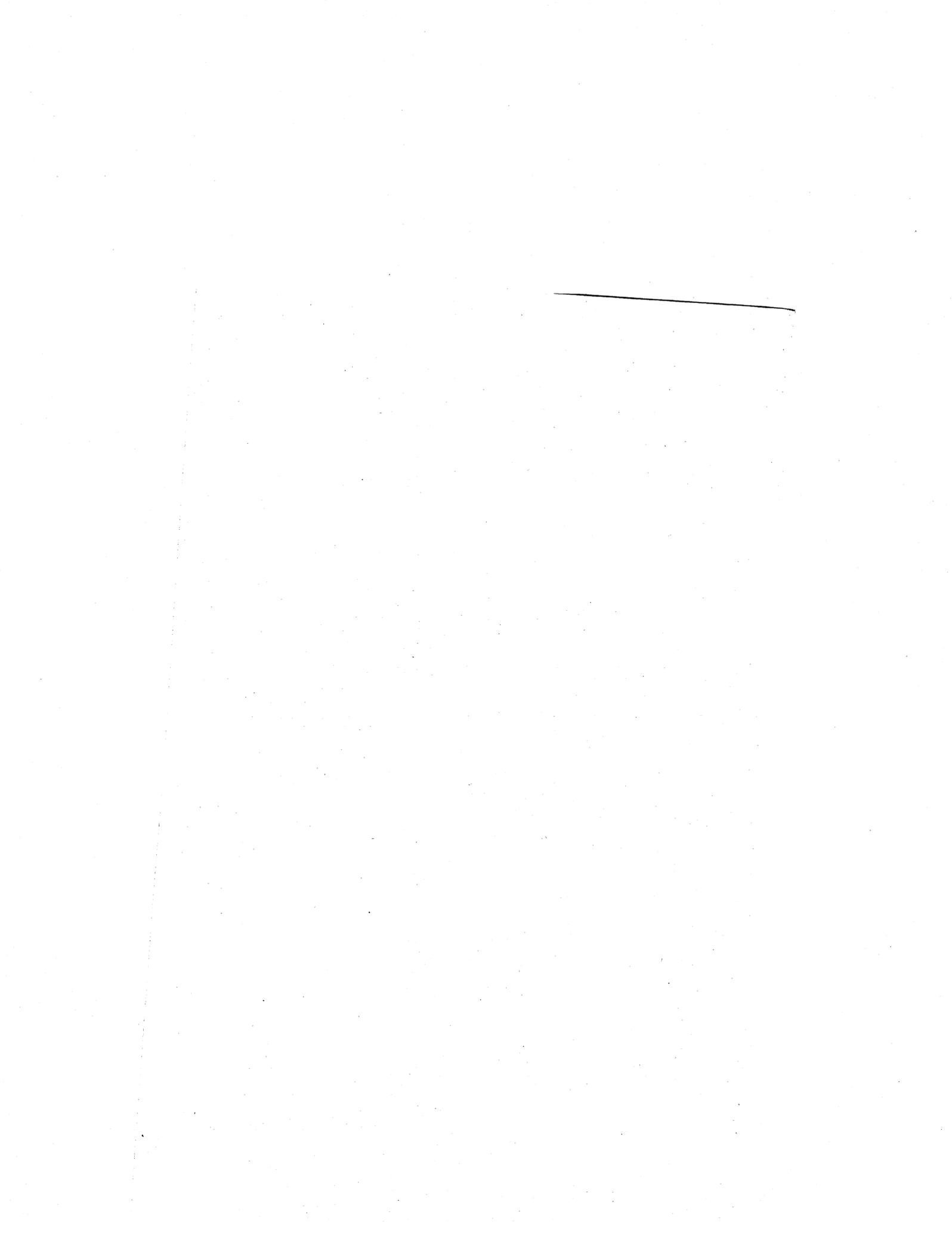
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Preface, Background and Acknowledgments

The 1988 edition of the *Disclosure Guidelines* marks the culmination of an extended process of research, drafting and review that has produced thorough-going revisions to and an integration of the earlier editions of guidelines and procedural statements published by the Government Finance Officers Association (formerly, the Municipal Finance Officers Association). An up-to-date and comprehensive body of guidance for those responsible for making the disclosure in connection with state and local government securities, the *Guidelines* represent a continuation of the GFOA's commitment to encourage the provision of timely, accurate, and complete information to investors in such obligations.

This latest edition of the *Disclosure Guidelines* consists of three sections that give guidance to issuers with regard to disclosures involving the original offering of securities, providing current information on a continuing basis, and procedures to be followed in supplying information to existing and potential investors. The incorporation of these three sets of recommendations, which were previously published in two separate documents, into one volume, underscores that proper disclosure is an ongoing and dynamic process that cannot be restricted to providing a particular document with a specific set of items on a given date. Times change, markets fluctuate, issuers innovate, and, accordingly, investor information needs and the means by which they are best met will vary. Thus, the *Guidelines* bear witness to the variety and flexibility found in municipal securities and transactions, which require a corresponding ingenuity and versatility in designing disclosure documents and implementing disclosure procedures.

The revisions contained in this edition build upon a foundation of experience gained with the earlier editions of the *Guidelines* and *Procedural Statements*. Because of this legacy and the considerable debt owed to the original formulators of these documents, it is both important and appropriate to recount the history of the *Guidelines* and to acknowledge many of those who contributed to their development.

Creation of the Guidelines

The Municipal Finance Officers Association (MFOA) in 1974 began work under a National Science Foundation grant to study a variety of questions regarding provision of information by issuers of municipal securities, i.e., states and local governments and their public agencies. One area of this project was designed to produce a set of disclosure guidelines. MFOA intended that these guidelines would provide protection to investors through improved disclosure and greater standardization of disclosure practices. In November 1975, an exposure draft of *Disclosure Guidelines for Offerings of Securities by State and Local Governments* was released for public discussion and comment.

The draft *Guidelines* received wide dissemination, and there was strong interest in their improvement and ultimate market acceptance. During 1976, MFOA sponsored a series of colloquia for discussion of the *Guidelines* and a broad range of related issues. A digest was prepared of the many excellent written comments that were received. A Revision Drafting Committee, consisting of representatives of issuers, dealers, investors and professional groups, was appointed to review the comments and to revise the draft.

The members of the Revision Drafting Committee were as follows:

Donald J. Robinson (Chairman), Partner, Hawkins, Delafield & Wood, New York, New York
J. Chester Johnson, Vice President, Morgan Guaranty Trust Company of New York, New York, New York
Richard Laird, Chief Accountant, Columbus, Ohio
Anthony M. Mandolini, Partner, Peat, Marwick, Mitchell & Co., Chicago, Illinois
David G. Ormsby, Partner, Cravath, Swaine & Moore, New York, New York

Staats M. Pellett, Vice President, Bessemer Trust Company, NA,
New York, New York
William R. Snodgrass, Comptroller of the Treasury, State of Ten-
nessee, Nashville, Tennessee
Peter C. Trent, Executive Vice President, Shearson Hayden Stone
Inc., New York, New York
John M. Urie, Director of Finance, Kansas City, Missouri
John E. Petersen, Washington Director, Municipal Finance Offi-
cers Association, Washington, D.C.
Robert W. Doty, Associate Professor of Law, Creighton Law
School, Omaha, Nebraska

The MFOA Committee on Governmental Debt and Fiscal Policy worked closely with this Revision Drafting Committee and with the MFOA Executive Board, which approved the *Guidelines* for release in December 1976.¹

The *Disclosure Guidelines for Offerings* were a set of suggestions of information that should be considered for inclusion in official statements because it was thought to be relevant to investors on most occasions for most issues. They were suggestions and, as such, were not intended to be legally binding. They did, nonetheless, represent a consensus of municipal bond market participants regarding disclosure.

Research on the effectiveness of the December 1976 *Guidelines* and the earlier exposure draft demonstrated a consistent pattern of improvement in the information contained in official statements provided by municipal securities issuers. Initial research on this improvement was published in Petersen, Doty, Forbes & Bourque, "Searching for Standards: Disclosure in the Municipal Securities Market," 1979 Duke L.J. 1177 (1976). More recent research has documented continued improvement in the content and consistency of such disclosures. See Forbes & McGrath, "Disclosure Practices in Tax Exempt General Obligation Bonds: An Update," *Municipal Finance Journal*, Vol. 7, No. 3 (1986).

Subsequent Extensions and Revisions

In view of the importance attached to the *Guidelines*, it was necessary that MFOA monitor the disclosure process and related

¹*Disclosure Guidelines for Offerings of Securities by State and Local Governments*, Chicago: Municipal Finance Officers Association, December, 1976.

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documents on a continuous basis and respond to changing conditions in the municipal securities market.

How and when disclosure information is provided are important. It was recognized that a set of recommendations regarding procedures to follow would further the availability of information to investors and dealers and, through increased issuer, investor and dealer cooperation, would help resolve the complex procedural problems of providing information to the market.

The initial drafting of what was to become the *Procedural Statements* was done by the MFOA Procedures Subcommittee which was appointed in March 1976. The members of the Subcommittee were:

William J. Reynolds (Chairman), Town Comptroller, Greenwich, Connecticut
Gerard Giordano, Partner, LeBoeuf, Lamb, Leiby & MacRae, New York, New York
Donald R. Hodgman, Partner, O'Melveny & Meyers, Los Angeles, California
Robert Todd Lang, Senior Partner, Weil, Gotshal & Manges, New York, New York
James W. Perkins, Partner, Palmer & Dodge, Boston, Massachusetts
Robert W. Doty, General Counsel, MFOA, Washington, D.C.

Released as a Committee Working Draft on September 9, 1977, the draft of procedural recommendations was made available to and comments were solicited from MFOA members, dealers, bond counsel, investors, accountants, analysts and others during an eight-month comment period. They were discussed at a series of seminars and meetings held during October and November 1977.

The Committee Working Draft was revised by the MFOA Disclosure Review Committee appointed in January 1978. The Committee consisted of:

Robert Odell (Chairman), City Treasurer, Los Angeles, California
Robert W. Doty, General Counsel, MFOA, Washington, D.C.
Walter Knowles, Senior Vice President, Commerce Bank of Kansas City, Kansas City, Missouri

Edward G. Pendergast, Senior Investment Officer, St. Paul Companies, Inc., St. Paul, Minnesota
James W. Perkins, Partner, Palmer & Dodge, Boston, Massachusetts
William J. Reinhart, Special Assistant to the Comptroller, Nashville, Tennessee
William J. Reynolds, Town Comptroller, Greenwich, Connecticut
William R. Snodgrass, Comptroller of State Treasury, Nashville, Tennessee
Peter C. Trent, Executive Vice President and Manager, Shearson Hayden Stone Inc., New York, New York
Michael S. Zarin, Chief, Finance Division, Law Department, The Port Authority of New York and New Jersey, New York, New York

The proposed *Procedural Statements* were reviewed by the MFOA Committee on Governmental Debt and Fiscal Policy. The review process was completed in May 1978 and the *Procedural Statements* were approved by the MFOA Executive Board for publication.²

The Disclosure Review Committee cited above also undertook two other tasks, a revision of the *Guidelines for Offerings of Securities* and the creation of a companion set of guidelines designed for current reporting on outstanding debt. Work on the latter document, which was to be entitled, *Guidelines for the Preparation of Yearly Information Statements and Other Current Information (Current Information Guidelines)*, was undertaken in recognition of the fact that current information was needed to be provided to securities holders, potential investors in the secondary market, and other concerned parties over the life of the outstanding debt. The suggestions contained in the *Current Information Guidelines* overlapped the predecessor *Guidelines for Offerings* in many respects, but their emphasis differed, with the focus being on satisfying the ongoing information needs of the secondary market.

Drafts of the *Current Information Guidelines* were considered by the aforementioned Disclosure Procedures Committee in 1977 and an Exposure Draft was released by the MFOA Governmental Debt and Fiscal Policy Committee in September of 1977.

²*Procedural Statements in Connection With the Disclosure Guidelines for Offerings of Securities by State and Local Governments and the Guidelines for Use by State and Local Governments in the Preparation of Yearly Information Statements and Other Current Information*, Chicago: Municipal Finance Officers Association, May 1978.

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In 1978, the Disclosure Review Committee considered drafts of both the *Current Information Guidelines* and revisions to the 1976 edition of the *Guidelines for Offerings*. The latter guidelines were refined in a number of respects, based on experience and review and comment. In general, the revisions to the *Guidelines for Offerings* were designed to facilitate the reading and comprehension of them, with particular attention paid to the areas of pension information and disclosure by state issuers.

With the completion of the Disclosure Review Committee's efforts in May of 1978, the two sets of guidelines were subsequently reviewed by the Governmental Debt and Fiscal Policy Committee and approved for release by the MFOA Executive Board. The revised *Guidelines for Offerings* and the new *Current Information Guidelines* were published in the same volume in June of 1979.³

In January 1979, development of another disclosure-related document commenced under the auspices of the MFOA Committee on Governmental Debt and Fiscal Policy, its purpose being to provide issuers with illustrative formats of official statements used in connection with offerings of municipal general obligation bonds. To promote a continuity and integration of new issue and current reporting, the document illustrated a two-part official statement consisting of both information about a particular offering and a yearly information statement, which could be annually updated and distributed separately. Based largely on expertise contributed by the firms of Palmer & Dodge; Squire, Sanders & Dempsey; and Peat, Marwick, Mitchell & Co., the volume was published in June of 1981.⁴

The Current Revision

In March 1984, a Steering Committee on Municipal Disclosure, jointly sponsored by the Government Finance Officers Association and the National Association of Bond Lawyers, was formed to examine disclosure needs and practices in the municipal securities market. Over the next two years, the Steering Committee commissioned several surveys and analyses of disclosure practices, identified problem areas, and considered numerous sug-

³*Disclosure Guidelines for State and Local Governments*, Chicago: Municipal Finance Officers Association, June 1979.

⁴*Official Statements for Offerings of Securities by Local Governments—Examples and Guidelines*, Chicago: Municipal Finance Officers Association, June 1981.

gestions for improvements in disclosure documents and processes.

The members of the Steering Committee on Municipal Disclosure were:

John E. Petersen (Co-Chairman), Senior Director, Government Finance Research Center, GFOA, Washington, D.C.

Frieda Wallison (Co-Chairman), Partner, Jones, Day, Reavis & Pogue, Washington, D.C.

Andre Blum, Director of Administration, Madison, Wisconsin

Robert Bowman, Treasurer, Lansing, Michigan

Lawrence Brown, Senior Vice President, The Northern Trust Company, Chicago, Illinois

Jeffrey S. Green, Assistant General Counsel, The Port Authority of New York and New Jersey, Albany, New York

Hyman Grossman, Vice President, Standard & Poor's Corporation, New York, New York

Arthur Kalita, Vice President, Morgan Guaranty Trust Company of New York, New York, New York

James Perkins, Partner, Palmer & Dodge, Boston, Massachusetts

John T. Walsh, Finance Director, Hartford, Connecticut

In June 1986, the Steering Committee was asked by the GFOA Committee on Governmental Debt and Fiscal Policy to develop, based on its research efforts, specific recommendations as to revisions of the *Disclosure Guidelines*. In February 1987, the Steering Committee issued a report that contained draft language needed to update and integrate the three underlying documents that would comprise the *Disclosure Guidelines*. Subsequently, a specially constituted Disclosure Task Force of the GFOA Committee on Governmental Debt and Fiscal Policy began an extensive review and redrafting of the *Disclosure Guidelines*, including distribution of drafts to relevant GFOA committees and other interested parties.

The members of the Disclosure Task Force were as follows:

Andre Blum (Chairman), Director of Revenue, Madison, Wisconsin

Robert Doty, President, Doty Research & Development Company, Houston, Texas

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N. James Fluck, Executive Vice President, Philadelphia Industrial Development Corporation, Philadelphia, Pennsylvania
Jeffrey S. Green, Assistant General Counsel, Port Authority of New York and New Jersey, New York, New York
W. Bartley Hildreth, Associate Professor, Louisiana State University, Baton Rouge, Louisiana
Ruth M. Levine, Director of Finance, Windsor, Connecticut
Morris Matson, First Vice President, AMBAC Indemnity Corp., Fort Worth, Texas
John E. Petersen, Senior Director, Government Finance Research Center, GFOA, Washington, D.C.
Donald Robinson, Partner, Orrick, Herrington & Sutcliffe, New York, New York
Frieda Wallison, Partner, Jones, Day, Reavis & Pogue, Washington, D.C.
John T. Walsh, Finance Director, Hartford, Connecticut
Michael S. Zarin, Principal, Wellfleet Capital Company, Great Neck, New York

On May 30, 1987, acting on the recommendation of the Governmental Debt and Fiscal Policy Committee, the GFOA Executive Board instructed that an Exposure Draft of the *Disclosure Guidelines* be given wide circulation, comments be solicited, and the *Guidelines*, as revised by the process, be prepared for publication. Commencing June 1987, extensive notice of the contemplated revisions to the *Disclosure Guidelines* was given and several hundred copies of an Exposure Draft (dated June 20, 1987) were distributed to interested and affected parties, including issuers, underwriters, dealers, insurers, investors, analysts, lawyers, and regulatory and legislative bodies. Numerous excellent suggestions were received and incorporated into the Exposure Draft. The review process culminated in October 1987 when the GFOA Task Force on Municipal Disclosure reported to the GFOA Executive Board, recommending publication of the Exposure Draft, as revised. On November 9, 1987, the GFOA Executive Board approved the *Disclosure Guidelines* for publication.

Acknowledgments

The Guidelines Project was directed by John Petersen, Senior Director, Government Finance Research Center, GFOA, Washing-

ton, D.C., who also served on the Steering Committee and Disclosure Task Force. Special appreciation is expressed to Robert Doty, President, Doty Research & Development Company, Houston, Texas. The involvement of Messrs. Petersen and Doty with the *Guidelines* goes back to their inception in 1975 and, again teamed, they acted as the principal draftsmen of the revisions. Mr. Jeffrey Green served as Chairman of the GFOA Committee on Governmental Debt and Fiscal Policy during the period of the revisions and gave generously of his time and talent to the project. Catherine Spain, Director, and Cathie Eitelberg, Assistant Director, of the GFOA Federal Liaison Center were actively helpful throughout the revision process. Dr. Ronald Forbes of the State University of New York in Albany and Michael Buckley of the GFOA's Government Finance Research Center, made especially notable contributions to the research effort underlying the revisions. Debra Miles and Andrea Mola of the GFOA's Government Finance Research Center assisted in the preparation and dissemination of the many drafts of the revisions.

As with earlier editions of the *Disclosure Guidelines*, numerous organizations contributed to the revision process. Among those assisting were: AMBAC Indemnity Corporation; American Portfolio Advisory Services; American Institute of Certified Public Accountants; Arthur Andersen & Co.; Association of Financial Guaranty Insurers; City of New York, Office of the Mayor; County of Prince William, Virginia; Federal Reserve Board of Governors; Fitch's Investors Service, Inc.; GFOA Committee on Accounting, Auditing and Financial Reporting; GFOA Committee on Public Employee Retirement Administration; KPMG Peat Marwick; Lexington Fayette Urban County Government, Kentucky; Missouri Local Government Employees Retirement System; Moody's Investors Service; Municipal Securities Rulemaking Board; National Association of Bond Lawyers; National Federation of Municipal Analysts; Southern Municipal Finance Society; Squire, Sanders & Dempsey; Standard & Poor's Corporation; and U.S. Securities and Exchange Commission.

These revisions of the *Guidelines* mark a major advance in the continuing effort to keep the disclosure process abreast of changes in the municipal securities market. However, as is noted throughout the following text, the *Guidelines* will always be in a state of development and subject to continuing review and, no doubt,

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subsequent revisions as circumstances change and more experience is gained. The combined efforts of those cited above and this volume which they produced testify not only to the ongoing concern and cooperation of those persons and professions involved in the municipal disclosure process, but also to the vitality and dynamism of the process itself.

Jeffrey L. Esser, Executive Director
Government Finance Officers Association
January 1988

Guidelines for Offerings of State and Local Government Securities

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Introduction

These Guidelines are designed for use by issuers and others in the preparation of the issuer's official statements and in providing information to investors in connection with offerings of securities of state and local governments. In most cases, such information is provided to investors by state and local governments through securities dealers and dealer banks that purchase securities for reoffering. The information suggested in these *Guidelines* is intended to produce an official statement that will be acceptable for such purpose. It is not intended, however, to create disclosure requirements or a legal obligation to provide any or all items of information that are suggested.

Reference is made to Policy Statements of the Government Finance Officers Association (Appendix A) regarding the importance of disclosure by issuers. Reference is also made to the *Procedural Statements in Connection with the Disclosure Guidelines* and to rules of the Municipal Securities Rulemaking Board governing municipal securities dealers and dealer banks.

These *Guidelines* suggest material that an investor might consider of importance in making an informed investment decision and which generally is available in financial reports, budget documents and other data accessible to the issuer. Information in the issuer's records or that can be obtained from another source, such as U.S. Government census reports, normally should be obtained, compiled and reported. Other examples include economic and demographic data, which may be collected by regional, state or federal entities or business and educational groups, and information on assessed property valuations and tax payments, which

may be taken from other governmental entities. Where sources other than the issuer provide information, that fact should be stated specifically in conjunction with the presentation of the information.

It is possible that other information, not suggested herein, may at times be material and in such cases should be provided. Certain types of issuers or circumstances might require additional information in order to give an adequate description of such issuers or circumstances. There may also be cases in which some of the suggested information is unnecessary or irrelevant. For instance, matters bearing principally on the long-term prospects of the issuer, such as demographic or economic data, may not be material in the sale of certain revenue or tax anticipation short-term obligations secured by and payable solely from anticipated revenues or taxes. Further, it is recognized that, at times, various reports, contracts and other items suggested to be described may not exist or may not be material for a given issuer or transaction. The overriding consideration is to provide a complete, accurate and objective description of those factors relating to the securities being offered that are necessary to make an informed investment decision.

The order of presentation suggested in these *Guidelines* should not be deemed to recommend a specific order of presentation of information in the official statement. GFOA's Sample Official Statement indicates a format that has been found helpful for official statements, and it is suggested that issuers consider that format. The information set forth in the official statement should be presented in a concise, understandable fashion and in terms that are comprehended easily. Consideration should be given to setting forth material in a manner that will give appropriate emphasis to such material in view of its relative importance. For example, special attention should be given to disclosing impending difficulties that could adversely affect the financing.

It is suggested that the financial statements contemplated in these *Guidelines* be prepared in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). Guidance in the application of those principles, consistent with state laws as described in Section VI below, is provided by *Governmental Accounting, Auditing, and Financial Reporting*, issued by the Gov-

ernment Finance Officers Association (GFOA). The data suggested in these *Guidelines* may be combined with or extracted from any general purpose financial statements, as well. Such an approach could achieve a unity of the official statements, comprehensive annual financial reports, information statements and general purpose financial statements.

The issuer may desire to consider reliance upon a two-part official statement, one part of which contains only offering data that may be detached so that the second part may constitute an information statement. Conversely, information statements may serve as official statements upon the attachment of or reference to a part including offering information. By such means, issuers may avoid the preparation of multiple documents where information remains reasonably stable during the fiscal year.

Some sections of these *Guidelines* are more appropriate for offerings of general obligation securities, while other sections are more appropriate for offerings of revenue securities or of special obligation securities. In some cases, a particular security may combine characteristics of a general obligation security, a revenue security or a special obligation security. For example, revenue sources from an enterprise or enterprises¹ or a specific tax may be the primary source of payment and security for an issue of bonds, while additional security is furnished by the general taxing power of the issuer. Under these circumstances, it is suggested that the appropriate information for both types of securities be provided.

These *Guidelines* may not be appropriate for certain information in official statements for offerings of obligations where the debt service on the securities is dependent upon payments by a private entity involved in the offering. The presence of credit enhancements, such as letters or lines of credit and insurance, however, does not obviate the applicability of these *Guidelines*.²

¹As used in these *Guidelines*, "enterprise" means any undertaking or activity relating to the construction, acquisition, operation or maintenance of facilities or services or otherwise performing governmental functions expected to generate revenues that are to be a material source of payment for the principal of and interest or premium on the securities.

²Credit enhancements are contractual arrangements to provide for the payment of the principal of, or interest or premium on, or for the redemption of securities in the event that the issuer does not make payment in full or on time. Such an arrangement, which may provide for direct or indirect payment to the securities holders, may be conditional or irrevocable, for all or part of the securities offered, and, for all or part of the life of the obligation, and is for the purpose of improving the creditworthiness of the securities being offered.

Arrangements should be made to assure the availability of the official statement and timely disclosure of material information that may become available between the date of the official statement and the closing to prospective investors, as set forth in the *Procedural Statements*.

In addition, official statements released shortly before the sale of bond issues become outdated and the cover page and text should indicate that the information contained therein is subject to change after the date of the official statement and that the official statement speaks only as of its date. Investors and dealers in the secondary market need current information on which to base decisions. Rating services also need current information. The information suggested in the GFOA Guidelines for the Timely Provision of Information on a Continuing Basis is intended to assist in the production of documents that will be acceptable in the satisfaction of those needs. It is suggested that reference be made to those *Guidelines* as well.

Issuers are encouraged to submit their final official statements, information statements, annual reports and other information to any trustees for the securities and to a central repository, such as that maintained by a public or private entity (see *Procedural Statement No. 8*). A statement on the cover of or in the official statement should be made regarding the availability of copies of those documents through the repository. Issuers should also make individual copies of official statements available during the life of the securities, upon request and payment of costs. When providing such copies, issuers should include appropriate cautionary language to the effect that the official statement speaks only as of its date and that changes may have occurred in the interim.

These *Guidelines* are not intended to establish standards of legal sufficiency. No implication is intended that previously prepared documents have been inadequate or that any offering document prepared in the future is inadequate solely because it does not comply with suggestions in these *Guidelines*. It should be emphasized that those preparing the official statements should take great care to see that they are accurate, complete and not misleading. Responsibilities of the various participants with respect to the development of information in the official statement should be described in the official statement. Where appropriate, the various participants or attesting officials should consider the neces-

sity of certifying to the accuracy and completeness of the material they have prepared or provided.

SECTION I

Cover Page of the Official Statement

The official statement should include a cover or introductory section used to describe certain features of the securities being offered. It should include the following (with appropriate cross-references to more complete discussions in the body of the official statement):

- (1) The total principal amount of the securities being offered.
- (2) The name of the issuer (with appropriate identification), the title of the issue, and the date of the official statement as of which it speaks.
- (3) The type of issue being offered (e.g., general obligation, water revenue, etc.).
- (4) The date of the obligations, interest payment dates, the date from which interest is paid and identification of any special interest payment features (e.g., zero coupon, limited interest, variable rate, etc.).
- (5) The denominations in which the securities are being offered.
- (6) A brief statement of the security or other source of payment.
- (7) Names and cities of the principal offices of the trustee, registrar and paying agents.
- (8) Identification of mandatory, optional and extraordinary redemption or prepayment features and put or tender features.
- (9) Maturity date and principal amount by maturity in columnar form.³

³In the reoffering, interest rates, yields or prices should be specified. In the case of a public sale, it is suggested the issuer provide space for such interest rates and reoffering yields or prices. See Procedural Statements Nos. 2 and 4.

- (10) A statement of the tax status of interest on the securities being offered (including alternative minimum tax, original issue discount, bank qualification, etc.).
- (11) Reference to any credit enhancement.

Additional information often set forth on the cover page or in the introductory section includes:

- (12) Indication if the securities are in book entry form or eligible for custodial deposit with a registered securities depository, identifying the depository.
- (13) Identification of counsel.
- (14) Statement, if applicable, that the securities are offered when, as and if issued and subject to satisfaction of certain conditions.
- (15) Ratings by the various rating agencies (see Section VIII of these *Guidelines*).
- (16) Designation as a new issue.
- (17) Brief statement of the authority for issuance.
- (18) Anticipated date, manner and place of delivery.
- (19) Registration and exchange features.
- (20) Purpose of the issue.

The official statement should be dated the date as of which it speaks. Any material information that becomes available after that date, but prior to the closing, should be disseminated to those to whom the official statement has been delivered (see Procedural Statements Nos. 2, 3 and 4).

On the inside front cover or on the back of the official statement, a Table of Contents should appear to indicate in reasonable detail the pages on which particular types of information may be found. Issuers may wish to state the title, address and phone number of the issuer official(s) who can answer questions about the official statement or who can direct inquiries to the appropriate responsible parties. Of course, care should be taken that all material information is contained in the official statement, and no one should be given access to data that will not be made available generally to others upon request. If additional material information is obtained, the official statement should be supplemented or amended.

It is suggested that issuers consider maintaining a mailing list of all parties who wish to receive information furnished by the issuers (such as official statements, information statements and other information), and that issuers consider inserting an appropriate notice (in a form that would not constitute a contractual commitment) in official statements regarding the maintenance of the mailing list. Such a notice may be placed on the inside front cover or on the back cover of the official statement.

SECTION II

Summary of the Official Statement

The purpose of a summary of the official statement is to set forth, in brief form, the salient portions of information appearing elsewhere in that document with respect to the identification of the issuer; the purposes for which the securities are being issued; the security and other sources of payment for the securities; and important features of the securities. Where redemption or put features are present, each type of redemption or put should be mentioned, with an indication of when it is exercisable or applicable. In addition, any other special circumstances that are of importance to the making of an informed investment decision and their possible consequences for investment risk should be described. The issuer should be briefly described, as well as any project that is to be undertaken. Appropriate references to more detailed information contained elsewhere in the official statement should be included. It is advisable that the summary be qualified expressly by the entire official statement and that a statement be made to the effect that the summary is only a brief statement and that a full review should be made of the entire official statement by potential investors.

SECTION III

Securities Being Offered and Related Documentation

The official statement should provide the following information to the extent relevant regarding the securities being offered and regarding the authorizing and governing documentation:

A. Amplification of items that appear on the cover page should be presented, where appropriate. In any case, set forth such items where they do not appear on the cover page.

B. Describe the pertinent provisions of the state constitution, statutes, resolutions and such other documentation that authorize or limit the issuance of the securities and the execution, delivery and performance of the related documentation.

C. State the principal purposes for which the proceeds of the offering are authorized or proposed to be used, the approximate amount authorized or proposed for each purpose, estimated expenses in connection with the issuance, and, in negotiated issues, sale and distribution of the securities. Where the proceeds are to be invested pending use, describe the provisions governing those investments and conditions that must be satisfied before the proceeds may be applied to their intended use. Impending difficulties that would hamper completion of the project should be disclosed. Furnish a brief description of any program of construction or addition of equipment to be financed from the proceeds of the sale of the securities. If more funds are needed to accomplish the stated purposes, indicate the projected amounts and sources of such funds. State whether such other funds will be definitely available upon completion of the offering, and, if not, describe the conditions that must first be satisfied. If the proceeds may be used for other purposes, describe the other pur-

poses and amounts which may be used. Describe any plan of refunding, including, when an escrow is to be established securing all or part of the refunded issue, the date or dates on which the principal of the refunded bonds is to be paid, and any rights reserved by the issuer to modify the maturity or other terms of the escrow. Reference is made to Section VI of the *Guidelines for the Timely Provision of Information on a Continuing Basis*.

D. Describe the provisions with respect to the security and other sources of payment for the securities. State the relationship of the priority of payment or lien to any outstanding securities or other obligations of the issuer. If the securities are secured by physical properties, assets or revenues, such physical properties, assets or revenues and the provisions for their release or substitution should be described. If payment of the principal of or interest or premium on (or a repurchase price payable upon tender or put of) the securities being offered is guaranteed or insured, or covered by a line or letter of credit or any other credit facility ("enhancement") in any respect, (1) name the provider of the enhancement; (2) identify the payments on the securities covered by the enhancement and the amount of the coverage in specific terms; (3) describe the terms, conditions, and exclusions, including terms of cancellation or other termination, if any, of the enhancement, attaching, if appropriate, copies of the insurance policy or other documentation, and including any steps that must be taken by the securities holders or trustee to collect monies; (4) describe the timing of payments under the enhancement; and (5) refer to the discussion of ratings, if any, obtained on the securities and indicate whether those ratings are based on the enhancement.

It is appropriate to furnish available financial or other information about the provider of the enhancement, and it is suggested that inquiry be made of the provider as to the availability of such information. If the information is incorporated by reference, state the source and the means of obtaining the information. If the provider is the source of any information, identify that information and so state. Describe any conditions under which the issuer of the securities may be or is required to provide substitute credit support and any notice required to be provided to securities holders in such event.

E. Describe any optional, mandatory or extraordinary redemp-

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tion or prepayment features of the securities, including (1) the conditions under which redemptions or prepayments are permitted or required; (2) the price payable upon redemption or prepayment; (3) whether all or part of the securities are permitted or required to be redeemed or prepaid; (4) if partial redemptions are permitted or required, the method by which the securities to be redeemed or prepaid will or may be selected; (5) the dates upon or periods within which redemptions or prepayments are permitted or required; (6) the timing and method of giving proper notice of redemption or prepayment to the affected securities holders; and (7) the consequences, if any, of a failure to give proper notice.

F. Describe provisions regarding (1) the flow of funds from enterprise revenues, including any restrictions thereon, (2) the creation or maintenance of reserves, and (3) maintenance and insurance of properties. Describe any proposed investment of the proceeds or the reserves. Describe the parties who will hold and control the proceeds of the securities and the method by which such proceeds will be expended.

G. Describe the purposes for which additional obligations may be issued, including provisions permitting or restricting the issuance of additional securities or the incurrence of additional debt. Describe legal requirements, such as voter approval, that must be met in connection with debt issuance. In offerings of revenue securities, describe the enterprise's authority to borrow funds for various purposes and the conditions under which the enterprise is empowered to issue varying types of indebtedness.

H. State the name of the trustee or fiscal agent, if any; summarize the rights and duties of the trustee or fiscal agent; state the important conditions and the percentage of securities that would require the trustee or fiscal agent to take any action; and describe the rights of securities holders to enforce the provisions of the securities or the related documentation. Describe provisions governing resignation or removal of the trustee and appointment of a substitute or successor trustee. Describe any indemnification the trustee or fiscal agent may require before proceeding to enforce the rights of holders of the securities. Indicate any business relationship of the trustee or fiscal agent with the issuer as security holder, depository or otherwise. If the trustee or fiscal agent acts in the capacity of trustee or fiscal agent for the holders

of other securities of the issuer, discuss such relationship or capacity.

I. Describe pertinent constitutional or statutory provisions or judicial decisions that could affect the status of or priority for the securities holders.

J. State whether the terms of the securities, including provisions with respect to security or source of payment, may be modified and, if so, under what circumstances.

K. Summarize provisions in the securities being offered, the indenture or other authorizing or governing instruments regarding specified events that constitute defaults and the remedies therefor under the securities and whether any periodic evidence is required to be furnished as to the absence of default or as to compliance with the terms of such securities, indentures or instruments. If the issuer cannot be sued for failure to perform its obligations to the holders of the securities or if judgments resulting from such suit are not enforceable against the issuer, such facts should be stated.

L. If any securities are zero coupon, compound interest, capital appreciation, deep discount or similar securities, (1) describe the nature of the securities in that respect; (2) state the manner of accretion of value; (3) give an appropriate table showing the accreted value at various dates, including potential redemption or prepayment dates; (4) if periodic interest is payable after or before a period of accretion, so state and describe the nature of the securities in that respect; and (5) state whether the securities are subject to redemption or prepayment and the manner of determining the redemption or prepayment price in relationship to the accreted value of the securities at the date of redemption or prepayment.

M. If the securities are variable rate, flexible rate or multi-modal securities, or if the interest rates on the securities are otherwise subject to change, either periodically or under specified conditions, describe the pertinent provisions of the securities in such respects, including, where appropriate, (1) the periods at which or the circumstances under which change in interest rates may occur; (2) the party or parties involved in any determination of new interest rates and their responsibilities, and provisions governing the resignation or removal of any such party and the appointment of substitutes or successors; (3) standards and pro-

cedures used in the determination of new interest rates; (4) the timing of significant steps taken in determining the new interest rates; and (5) the means by which securities holders are to be notified of the interest rates.

N. If the securities are subject to tender or put for repurchase or remarketing by, or on behalf of, the issuer or other parties, describe the provisions of the securities in such respect, including (1) the rights of the securities holders to receive the repurchase price, if any, or the proceeds of the remarketing upon the tender or put of their securities; (2) any obligation of securities holders with respect to any mandatory tender or put and any rights of securities holders to elect to retain their securities; (3) the amount of the repurchase price, if any; (4) the party or parties obligated to pay the repurchase price, if any, or to remarket the securities, and provisions governing the resignation or removal of any such party and appointment of substitutes or successors; (5) the security, if any, for repayment of the repurchase price, including any letter or line of credit or other credit or liquidity facility supporting the repayment; (6) the conditions under which tenders or puts are permitted or required; (7) notices required to be given to securities holders in connection with tenders or puts; (8) the timing of notices, tenders, payments, and other steps in connection with the tenders or puts and any remarketing; and (9) the relationship, if any, of any ratings on the securities to the party or parties obligated to pay the repurchase price and the security therefor.

O. State the form in which securities will be delivered at original issuance, including whether it is anticipated that the securities will be issued in book entry only form or in such manner as to make them eligible for custodial deposit with a registered securities depository, identifying the depository. Set forth any limitations on the rights of securities holders by reason of such form of obligation or custodial arrangements.

P. Describe the method of computing interest payable on the securities (for example, whether a 360- or 365/366-day basis is to be used) and the treatment of sums due on nonbusiness days.

Q. Describe the other significant provisions of the related documentation, including where appropriate (1) provisions establishing the principal funds and accounts, their functions, the flow of funds among them, and the investment of funds; (2) circum-

stances under which the related documentation may be discharged or the lien of the securities may be defeased, any notice required to be given to securities holders in connection with such actions, and the resulting rights of the securities holders thereafter; (3) provisions governing registration, exchange, and transfer of the securities, including a description of any transfer charges that may be imposed; and (4) record date provisions with respect to payments to and actions by securities holders.

SECTION IV

Description of Issuer and Enterprise

Suggestions in this Section are divided into two subsections: suggestions in subsection A concerning the tax-supported obligations of governmental issuers and those in subsection B concerning the obligations secured by revenues of governmental enterprises. In the case of securities that are paid for or secured both by taxes and revenues of a governmental enterprise, information suggested in both subsections may be appropriate.

A. Issuer. The information suggested herein would normally apply to offerings of general obligation or special tax securities that are payable from ad valorem taxation or other taxes.

Data should be given to provide sufficient background and general information regarding the issuer. Investors should be informed of factors that indicate the ability of the issuer to impose and collect, and the ability of its citizens to pay, taxes and other receipts that can be used to discharge the issuer's obligations. The information presented herein would normally include the issuer's range and level of services and the capacity of the issuer to provide such services. In addition, under most circumstances, a discussion of important population, economic and educational data should also be presented.

Examples of the types of information that may be appropriate are:

(1) A statement of the issuer's location and size; the year in which the issuer was established; the name of the state or other jurisdiction under the laws of which it was established; the form of government, such as mayor-council or city manager; the impor-

tant powers and the governmental organization of the issuer; and relationships to and areas of shared responsibilities with other governmental entities.

(2) A list of the principal officials of the issuer. Discuss the manner in which the principal officials of the issuer are chosen, their respective terms, and the authority and method by which policy and program decisions are made.

(3) A brief description of (a) the principal governmental services performed by the issuer; (b) services which the issuer is required to perform; (c) the revenue sources for the services, and the degree of self-support of any service activity, described pursuant to (a) and (b); (d) the extent to which similar or differing governmental services are performed by or performed in conjunction with other governmental entities; and (e) any recent major changes or interruptions in such services.

(4) A discussion of the general character of the existing principal facilities of the issuer. The material should allow the investor to appraise the ability of the issuer's principal facilities to continue to provide services for which they are intended. Describe any capital improvements plan that indicates future construction requirements of the issuer and the currently projected methods of financing such expenditures.

(5) A statement or description of historical and current data concerning, and estimates of, the issuer's population, per capita income, median age, education levels, school enrollment and unemployment rate.

(6) A statement or description of historical and current data concerning commercial and residential construction, commercial and savings bank deposits, property valuation, building permits and values in housing stock.

(7) A statement or description of historical and current data concerning (a) the principal industries, commercial and governmental entities, and other employers in the issuer's immediate geographical area; (b) the number of persons employed by such industries, entities or employers; (c) if reasonably reliable information is available to the issuer, the general economic stability of such industries, entities or employers; and (d) the economic effects of any recent addition or loss of major industrial, commercial or governmental entities, or other employers.

For state government issuers, a presentation of the value of the

state gross product by sectors (e.g., manufacturing, construction, mining, trade, services, etc.) and a discussion of historical and current data concerning the economic stability of such sectors may be substituted for the matters suggested in paragraphs (6) and (7) above.

(8) The number of persons presently employed by the issuer and the percentage of employees of the issuer who belong to unions or other collective bargaining groups, naming the principal unions or groups. If the total number of employees has changed by more than 15% within the previous three years, describe the change and the reasons therefor. Describe the issuer's employee relations, including any current or pending work stoppages or other actions important to the issuer's operations or financial condition.

B. Enterprise. The following information normally should be provided in offerings of revenue securities that are secured from the revenues of an enterprise. However, to the extent that the sources of revenues to pay debt service on the securities are dependent on the viability of a service area, certain material suggested in the subsection A should be set forth. Generally in the case of securities that are paid from many similar facilities or sources, the information suggested in this section is not necessary regarding each such facility or source on an individual basis.

(1) State the year in which the enterprise was organized, its form of organization (such as "a corporation," "an unincorporated association," "a department of the issuer" or other appropriate statement) and the name of the state or other jurisdiction under the laws of which it was organized. Name the municipalities, counties and states in which the enterprise is located and describe the service area.

(2) List the principal officials of the enterprise. Discuss the manner in which the principal officials of the enterprise are chosen, their employment over the past five years, their respective terms, and the authority and method by which policy and program decisions are made.

(3) Describe the location and general character of the principal facilities of the enterprise. If any property is leased or otherwise not held in fee or is held subject to any major encumbrance, discuss briefly the important factors in this regard. Provide suffi-

cient information so that an investor may be able to appraise the ability of the enterprise to continue to provide its services. Such information should be furnished that will inform investors of the extent of utilization and the productive capacity of the enterprise's facilities. Itemization and detailed description of the facilities generally need not be given. Describe the future construction requirements of the enterprise and the currently projected methods of financing such expenditures.

(4) If the proceeds of the offering will be used for the construction of all or part of the enterprise, briefly describe the new facilities, including their proposed purposes, productive capacity, anticipated life and nature of construction. State the dates proposed for the commencement and completion of the construction; the dates proposed for the commencement of operations in the new facilities; the amount and location of the land on which the facilities are to be located; and the rights of the issuer or the enterprise in relation to the land, such as whether the land is held in fee, is leased, is held subject to encumbrances, or must be condemned or otherwise acquired before use. The construction arrangements and principal contractors, engineers or other parties participating in the construction also may be of interest.

(5) If the proceeds of the offering will be used for construction of all or part of the enterprise, reference should be made to any relevant engineer's or financial feasibility reports or studies on the feasibility of such construction as a part of the enterprise's operations. Name the parties preparing the reports or studies, state the city in which the offices making the report or conducting the study are located, and state whether the consent of such parties to the reference to such reports or studies has been obtained. Reference should also be made to any other reports or studies known to the issuer that may have a significant bearing on the conclusion of feasibility. All references should describe the material conclusions of the reports or studies that relate to the use of proceeds as set forth in the official statement. If no engineers' or financial feasibility report or study has been made on behalf of the issuer in connection with a construction project, a statement should be made to that effect.

(6) Describe the operations performed and intended to be performed by any new or existing enterprise and the general development of such operations during the past five years, or such

shorter period as the enterprise may have been engaged in operations. The description should include, but not be limited to, information as to matters such as the following areas (if the enterprise is engaged or will engage in more than one activity, provide appropriate documentation and description for each of the principal activities):

(a) The principal services rendered or to be rendered by the enterprise, and the principal users of, or service area for, including any reliance on seasonal factors related to, such services. Describe recent significant changes in the kinds of services rendered, or in the users or area served.

(b) Whether the enterprise has or will have an exclusive position in its service area and, if not, a description of the competitive conditions in the service area and the present and proposed competitive position of the enterprise, if known or reasonably available to the issuer.

(c) The numbers of customers of the enterprise at present and as proposed after the completion of construction into categories according to major sources of revenues, and an appropriate categorization of ranges reflecting amounts paid or to be paid by customers for the enterprise's services. If an important part of the operations is or will be dependent upon a single customer or a few customers, the loss of any one or more of whom would have an adverse effect on the operations or financial condition of the enterprise, give the names of the customers, their relationship, if any, to the enterprise, and significant facts regarding their contribution to the operations of the enterprise. Describe any long-term leases, lease-purchase obligations, installment purchase obligations, guaranteed debt, "moral obligation" indebtedness, output or supply contracts, take or pay or similar contracts and other forms of contingency or "off balance sheet" indebtedness. Describe also any federal, state or local governmental program that provides an important part of the enterprise's revenues.

(d) A management or operations contract, in effect or as proposed, identifying any manager or operator and providing a brief description of the manager's or operator's experience and financial condition.

(e) The parties responsible for determining and modifying rates, together with related limitations on the powers of such parties and rights of review of the enterprise or others; and any rate

covenant or similar agreement on the part of the issuer or the enterprise, and the degree to which such covenant or agreement is designed to provide for debt service, and operating and any other important expenses.

(f) The sources and availability of raw materials essential to the enterprise's present and proposed operations.

(g) The status of licenses, permits and franchises required to be held by the enterprise for its current operations and any project being financed. Describe any federal, state or local governmental regulation of the operations of the enterprise, including significant environmental protection requirements, and the effects of such regulation on the enterprise's present and proposed operations and on new construction.

(h) The numbers of persons presently employed and to be employed after completion of construction, and the percentage of employees of the enterprise who belong to unions or other collective bargaining groups, naming the principal unions or groups. If the total number of employees has changed by more than 15% within the previous three years, describe the change and the reasons therefore. Describe the issuer's employee relations, including any current or pending work stoppages or other actions important to the issuer's operations or financial condition.

(i) If the enterprise has not received revenues from operations for the entire fiscal year prior to the date of the sale of the securities being offered, provide an analysis of the enterprise's current year's plan of operations, including a description of any results that may have been experienced at the time of the offering and a discussion of known factors and important assumptions related to operations for the next fiscal year. If such information is not available, the reasons for its not being available should be stated. Information relating to any plan should include such matters as:

(i) A statement in narrative form indicating the enterprise's plan of construction. The schedule for completion and categories of expenditures and sources of cash resources should be identified.

(ii) Any anticipated large acquisition of plant and equipment and the capacity thereof.

(iii) Other matters that may be important to the enterprise's construction and operations.

SECTION V

Debt Structure

The following suggested information is intended to describe various important factors related to the debt structure of the issuer or enterprise, including authority to incur debt, limitations on debt, debt trends, the size of prospective debt burden, and rates of retirement. The tax related information is suggested for general obligation or special tax securities. Sufficient information should be provided by the issuer or enterprise so that an investor will be able to evaluate tax and other revenue sources in relation to the obligations or commitments of the issuer or enterprise.

A. Furnish the information of the type suggested by the following table as to appropriate categories of long-term and short-term securities and other indebtedness of the issuer or enterprise:

Category of indebtedness	Amount authorized	Amount outstanding as of (date) (less sinking fund installments paid to such date)	Amount to be <u>outstanding</u>
	\$	\$	\$

The appropriate categories of indebtedness will vary from issuer to issuer and from enterprise to enterprise. Generally, the purpose, security (including its lien position), or form of the indebtedness may be used as a basis for categorization. The informa-

tion furnished should also include a separate description of other commitments, such as long-term leases, lease-purchase obligations, installment purchase obligations, guaranteed debt, "moral obligation" indebtedness, output or supply contracts, take or pay or similar contracts and other forms of contingency or "off balance sheet" indebtedness.

Debt should be regarded as "authorized" when all legal steps have been taken by the issuer for its authorization for issuance, such as required approval by the governing body or the voters. However, actions requiring only minor administrative performance normally should not be regarded as a stage for the authorization of debt.

The amount of indebtedness outstanding should be as of the latest practicable date, within the previous 120 days, with any major changes in debt position, including any new obligations issued during the interim, appropriately indicated. In stating the amount to be outstanding, give effect to the securities being offered, including the retirement of outstanding debt with proceeds of such securities, and, in addition, give effect to required or permitted debt retirement from existing resources.

B. Furnish a debt service schedule of the outstanding indebtedness of the issuer or enterprise, including required payments of principal and interest and, where appropriate, authorized indebtedness to the final maturity date of all outstanding securities. Debt payable from different tax or revenue sources should be shown in separate columns as well as in the "Total" column. Include in the schedule debt service on the securities being offered. Indicate in footnotes to the schedule any assumptions, such as interest rates on authorized but unissued debt, on which information in the schedule is based. The schedule may be presented in substantially the following tabular form:

Fiscal year ending (date)	Principal	Interest	Total
19__	\$	\$	\$
19__			\$
19__			\$
.			.
.			.
(year)			\$

C. Furnish the information called for by the following table as to indebtedness of overlapping governmental entities. The information should be as of the latest practicable date, within the previous 120 days, with any major changes in debt position during the interim appropriately indicated. Unless inappropriate, the information in the last column should be based upon the estimated true valuation of taxable real and personal property in the respective jurisdictions.

Name of overlapping entity	Amount of authorized debt	Amount of outstanding debt (less sinking fund as of [date])	Percent of outstanding debt chargeable to persons or property in issuer's boundaries*
	\$	\$	%

* Based upon estimated true valuation of taxable property in the respective jurisdictions.

D. Give information as of the end of each of the issuer's past five fiscal years with respect to the issuer's (1) debt per capita; (2) debt expressed as a percentage of total assessed valuation of taxable real and personal property; (3) debt expressed as a percentage of total estimated true valuation of taxable real and personal property; and (4) debt per capita expressed as a percentage of estimated per capita income of individual taxpayers residing in the jurisdiction.

E. State the amounts of long-term and short-term indebtedness of the issuer or enterprise outstanding as of the end of each of its past five fiscal years.

F. Describe any legal debt or tax limit of the issuer or enterprise, the legal source of the limit, the indebtedness or tax rates chargeable to the limit, and the unused borrowing or taxation margin.

G. If any securities of the issuer have been in default as to principal or interest payments or in any other material respect, or any agreements or legal proceedings of the issuer relating to securities have been declared invalid or unenforceable, at any time in the past 25 years, state the circumstances giving rise to such default

or declaration, including descriptions of the relevant provisions of the securities and authorizing and governing instruments, and any such agreements or proceedings, and the amounts involved. State whether such default or declaration has been terminated or waived, and if so, the manner of such termination or waiver.

SECTION VI

Financial Information

The suggested information that follows is intended to indicate important factors related to the financial condition and results of operations of the issuer or enterprise. The section is divided into two parts: first, there is suggested information that would summarize the financial practices and recent results of operations of the issuer or enterprise; the second part sets forth the information to be presented as the financial statements of the issuer or enterprise for the past two fiscal years.

A. General Description of Financial Practices and Recent Results of Operations:

(1) Furnish in comparative columnar form a summary of operations for the fund types/account groups that would provide information pertinent to the securities being offered. Such information should be provided for each of the past five fiscal years and, in the case of enterprises and in those unusual circumstances where it is otherwise appropriate, for the latest practicable date for interim periods of the current and prior fiscal year if the official statement is dated more than 120 days after the past fiscal year.

Information regarding the operations of enterprise and internal service funds should be presented separately from information regarding the operations of the general and other fund types of the governmental entity.

(a) Information regarding operations of the general and other fund types/account groups may be presented on a combined basis

as appropriate. Such summary should include major categories of actual revenues and expenditures and comparable budgeted amounts. In addition, beginning and ending fund balances and transactions reported as adjustments to fund balances should be included.

(b) Subject to appropriate variation to conform to the nature of the operations of an enterprise or internal service fund type, the summary and discussion should include: operating revenues; operating expenses; interest expense; intergovernmental revenues; operating transfers; income from continuing operations; income from discontinued operations; extraordinary items; the cumulative effects of changes in accounting principles; and net income or loss. The summary should also include the amount of any changes in retained earnings, other than net income or loss, and the amount of retained earnings at the end of each of the fiscal periods presented.

(c) Following each summary of operations, include a discussion of the material trends and changes and the reasons therefor related to the components of such summary. For example, if debt service, as a percentage of total expenditures, has increased significantly in recent years, describe the conditions that contributed to the trend. Furthermore, if certain revenues or expenditures are dependent on the financial policies or practices of another governmental entity, state the amounts involved and describe the relationship of such other entity to such issuer or enterprise. In addition, such discussion should include the effect of a change in accounting principles or procedures during any of the years presented.

(d) Describe any known facts that would significantly affect any financial information presented or the future financial operations of the issuer or enterprise.

(2) Describe generally the accounting policies of the issuer or the enterprise. Indicate any important deviations (and the effects thereof, if quantifiable) from generally accepted accounting principles, as such principles are supplemented and modified from time to time by the Governmental Accounting Standards Board. The information suggested herein may be provided by means of cross-reference to the auditor's opinion and the notes to the financial statements in the official statement or an appendix.

(3) Describe the issuer's or enterprise's budgetary processes.

The description should include matters such as: the parties responsible for the development of operating and capital budgets; basis of accounting used in the adoption of the budget; the processes and timing by which the budgets are approved and adopted; and legal requirements for balancing such budgets and institutional mechanisms to ensure achievement of that goal. Summarize the pertinent current operating and capital budgets. State whether the issuer or enterprise has conformed to such budgets to date and, if not, the significant variations which have occurred or are expected to occur. Describe the reasons for any significant differences between the budgets and the actual financial results on a budgetary basis for the past five fiscal years and the current fiscal year.

(4) If the securities being offered are payable only from particular revenues of the issuer, such as a particular tax or assessment, describe the revenues and give sufficient historical and other data to indicate the reliability of such revenues to meet debt service on the securities.

(5) If the obligations are secured in whole or in part by taxes of any type, describe briefly the manner in which such taxes are levied and collected. Where appropriate, describe briefly the manner in which property valuations and assessments are determined. Include descriptions of (a) the manner in which delinquent taxes are collected and the result of such collection efforts; (b) the interest and penalty charged on delinquent taxes; (c) important changes during the past five years in tax assessment, levy or collection practices; and (d) the reasons for such changes. State the value of total tax title liens owned by the issuer as of the end of each of its past five years and as of a recent date. Describe briefly the procedures followed in foreclosure. Describe the priority of tax claims of the issuer over other indebtedness of taxpayers.

(6) Give in tabular or other appropriate form with respect to the issuer, as of the end of each of its past five fiscal years and as of a recent date, information as to (a) its assessed valuation of taxable real property; (b) its estimated true valuation (fair market value) of taxable real property; (c) its assessed valuation of taxable personal property; and (d) the assessed valuation of taxable real property expressed as a percentage of the estimated true valuation thereof. Segregate such information as to industrial,

commercial, utility and residential properties. For state government issuers, a presentation of the information suggested in paragraph (7) below may be substituted for the matters suggested in phrases (a) through (d) above or may be presented as additional information, where appropriate. State in tabular or other appropriate form the total tax levy and the accumulated amount of delinquent taxes as of the end of each of the issuer's past five fiscal years and the tax delinquency rate for each of such fiscal years and for the current fiscal year to date. Describe recent borrowing against such delinquent taxes and any anticipation of collection of delinquent taxes in budgets for current or future years. State the accounting policies applied in writing off delinquent taxes.

(7) Where any tax or revenue source, including any intergovernmental revenues, other than property taxes exceeds 10% of the aggregate of the issuer's tax and revenue sources in the issuer's most recent fiscal year, or where all such tax or revenue sources other than property taxes exceed 15% of such aggregate, give in tabular or other appropriate form with respect to the issuer, as of the end of each of its past five fiscal years, the amount received from each such tax or revenue source exceeding 10%, and all such tax or revenue sources, respectively, and of the volume of activity generating such funds (e.g., personal income, gross sales and gross product). Where intergovernmental revenues as a whole provide more than 10% of the issuer's tax and revenue sources in its most recent fiscal year, name and describe the principal programs and state whether such programs are of short-term or long-term duration. In all other cases, for taxes and other revenue sources (other than property taxes), including intergovernmental revenues, include descriptions of the significance thereof to the issuer and recent volume of activity generating such funds.

(8) A table setting forth the ten largest taxpayers of the issuer, where appropriate and not prohibited by law and, if available to the issuer, a brief indication of the nature of their business or activity, should be presented. Taxpayers paying less than 5% of the total tax levy may be omitted. State the amount of taxes paid by each such taxpayer, the percentage of the total tax levy or tax collections represented by such amount, and, in the case of property tax levies, the assessed valuation of taxable real and, if applicable, personal property of each such taxpayer.

(9) With respect to interim borrowing for operational purposes, such as revenue anticipation notes or tax anticipation notes, present the appropriate anticipated cash flow and anticipated deficits. Describe any significant provisions regarding the segregation of receipts prior to the payment of debt service, or important considerations regarding the issuer's ability to issue new debt or otherwise to provide monies for the payment of debt service.

(10) If the proceeds from the sale of any securities (other than revenue, grant, or tax anticipation short-term obligations secured by and payable solely from anticipated revenues or taxes) or any nonrecurring revenues have been used for current operating expenditures/expenses at any time in the past ten years, describe the circumstances giving rise to such use, including the amount used in each of such years.

(11) If payments on outstanding securities or other obligations have been met through loans from other governmental fund sources, indicate the sources, the amounts involved, the purpose (as for payment of principal, interest or operating cost) and any commitments for repayment of the loans. Describe applicable legal requirements on transfers of funds. Describe briefly any federal, state or other legislation, program or procedure that would apply specifically to the issuer in times of financial emergency.

(12) Describe the significant characteristics of the issuer's or enterprise's public employee retirement system(s) or other pension plan(s). These characteristics should include the following:

(a) Identification as to the type of pension plan (single employer, agent multi-employer, or cost sharing multi-employer) and the number and types of employees covered.

(b) A brief description of the nature of the plan and of the legal obligations of the issuer or enterprise to finance benefits.

(c) The number of employees covered by type (retired, vested, non-vested, etc.).

(d) Employee and employer obligations to contribute to the plan.

(e) A summary of significant accounting policies and plan asset matters including investment valuation methods, related party transactions, and asset risk.

(f) Information regarding the contribution requirements and contributions made including the frequency of actuarial

valuations, the date of the most recent actuarial valuation, and a description of the funding policy.

(g) Information needed to assess (1) the funding status of the plans; (2) progress made in accumulating assets to pay benefits when due; and (3) whether the employer is making actuarially determined contributions.

(h) Historical or current data concerning adverse or positive trends or factors in the financing or operation of the pension plan as they relate to the employer's contributions or liabilities to the plans. Cross-reference should be made to the information concerning the plans contained in the financial statements included in the official statement. The issuer may wish to consider including a statement regarding the means by which other appropriate information about the pension plan may be obtained.

(13) Describe briefly any liabilities and costs pertaining to other employee benefits such as vacation and sick leave that are significant in assessing the financial condition of the issuer or enterprise. When there are such liabilities and costs, the pertinent details should be discussed.

(14) Describe briefly the nature and scope of the insurance coverage that the issuer has in force, or such coverage, if any, that represents self-retainage and self-insurance, and by what methods it is financed. Describe also insurance coverage required by the issuer of its contractors and subcontractors, if any.

B. Financial Statements

Uniformity in the presentation of financial information and the consistent application of accounting principles are essential for adequate financial reporting. To that end, financial statements should be prepared and presented in conformity with generally accepted accounting principles, as modified from time to time,⁴ and should be audited in accordance with generally accepted auditing standards.⁵

⁴As contained in pronouncements of the Governmental Accounting Standards Board.

⁵As contained in the *Statements on Auditing Standards* published by the American Institute of Certified Public Accountants; and in *Standards for Audit of Governmental Organizations, Programs, Activities & Functions* published by the U.S. General Accounting Office and *Audits of State and Local Governmental Units* published by the American Institute of Certified Public Accountants.

If financial statements are prepared in conformity with laws applicable to the issuer and their presentation does not conform with generally accepted accounting principles, the material differences between such laws and generally accepted accounting principles should be discussed and, if practicable, the effects of such differences should be quantified. Financial statements should be audited by an independent governmental audit organization, an independent certified public accountant or an independent licensed public accountant. If such an audit is not in accordance with generally accepted auditing standards, the nature of the audit and how it differs from such standards should be discussed.

Consent of the certified public accountant or other independent auditor should be sought if the name of the independent auditor is used in any way in connection with the financial statements or financial data included in the official statement. If such consent is not obtained, such fact and the reasons therefor should be discussed. State the city in which the auditor's offices performing the audit are located.

The General Purpose Financial Statements (GPFS) should be included in the official statement except in those instances where the source of revenues to discharge the obligation is limited solely to specific funds (e.g., enterprise fund), in which case the financial statements relevant to those funds and any funds interrelated with those funds in terms of availability for use for the same or similar purposes should be included. The GPFS may be supplemented by relevant combining and/or individual fund statements. Generally, the financial statements of an issuer or enterprise will appear at the end of the official statement or as an appendix.

(1) The GPFS included in the official statement may present comparisons for the prior year. The GPFS should include a combined balance sheet; combined statement of revenues, expenditures, and changes in fund balances; combined statement of revenues, expenditures, and changes in fund balances (budget to actual); combined statement of revenues, expenses, and changes in retained earnings; combined statement of and changes in financial position; and notes to financial statements.

(2) When the source of the resources to discharge the issuer's obligations to the holders of the securities being offered is limited to a particular fund (e.g., revenue of an enterprise fund), only

the financial statements of that fund normally need be presented. Such financial statements should indicate pertinent restricted and unrestricted accounts as provided in existing bond indentures, ordinances or similar instruments. When the source is primarily a particular fund but the obligation is also payable from another fund, the financial statements of both funds should be included in the official statement. If the issuer also pledges its full faith and credit, all financial statements relevant to the source of payment for the securities being offered should be included.

(3) Full disclosure in conformity with generally accepted accounting principles requires that financial statements be accompanied by notes to the financial statements that supplement or clarify the data contained in the financial statements. Typical notes to the financial statements provided with a governmental entity's financial statements include, among other items, the following:⁶

- A summary of significant accounting policies.
 - Reporting entity.
 - Principles of accounting.
 - Identification and definition of included fund types.
 - Basis of accounting.
 - Budgetary policies.
 - Accounting policies for specific accounts.
 - Fixed assets.
- Bond indenture provisions relating to accounting and reporting.
- Long-term debt provisions.
- Leases and other commitments.
- Provisions of public employee retirement systems, including costs, liabilities, unfunded obligations, actuarial assumptions and most recent valuations.
- Contingencies.

(4) Supporting schedules to financial statements should be included to provide significant detail where necessary to further reflect the financial position or results of operations of the fund types included in the official statement. Examples of such sup-

⁶Additional note disclosure requirements are contained in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*.

porting schedules and of statistical tables are contained in *Governmental Accounting, Auditing, and Financial Reporting*, issued by the Government Finance Officers Association.

SECTION VII

Legal Matters

A. Describe any pending legal proceedings that may materially affect the issuer's or enterprise's ability to perform its obligations to the holders of the securities being offered, including the effects of the legal proceedings on the securities being offered and on the source of payment therefor. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceedings, and the relief sought. In appropriate cases, include or summarize, with the consent of counsel, an opinion of counsel as to the merits of the legal proceedings. Provide similar information as to legal proceedings that have been threatened to a degree constituting a significant possibility that they will be instituted. An opinion of counsel with respect to such legal proceedings may, with the consent of counsel, be included or summarized in the official statement. State the name of such counsel.

B. With the consent of bond counsel, include or summarize the approving legal opinion of bond counsel regarding the issue of the securities, or indicate that such an opinion will be furnished with the securities. State the name of such bond counsel and the city in which the offices of the firm are located.

C. Describe the significant elements of the federal or, if appropriate, state or local income or similar tax status of the securities and the interest thereon under existing law, including direct or indirect taxation of interest and circumstances subsequent to issuance of the securities that may have a bearing thereon. With the

consent of counsel, include or summarize the tax opinion to be given by counsel, and state the name of such counsel.⁷

D. It is customary for the issuer or enterprise to indicate that at closing a certificate of no litigation will be provided that no litigation is pending which would affect the validity of or security for the securities.

⁷These revised *Disclosure Guidelines* have been prepared only a short time after the enactment of the Tax Reform Act of 1986. Many difficult federal income tax issues are posed by the Act, and market practices are evolving in terms of disclosure in the tax area. The above suggestions are made in the context of an evolutionary process and in recognition that material information upon which future opinions on tax status are based may be modified from time to time.

SECTION VIII

Miscellaneous

A. Ratings. If ratings for the securities being offered have been received by the issuer, state all ratings of the securities being offered and the names of the rating agencies. If no ratings have been obtained or a rating refused for any such securities, a statement should be made to such effect. Changes known to the issuer in any ratings of any securities of the issuer during the preceding two years should be described. Indicate whether the ratings are based on credit enhancement.

It is suggested that the discussion indicate that (1) such ratings reflect only the views of such agencies and either set forth an explanation of such ratings as described by such agencies or refer the prospective purchaser to such agencies for an explanation of such ratings; (2) there is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn; and (3) a revision or withdrawal of the ratings may have an effect on the market price of the securities.

B. Underwriting. Describe contractual arrangements between the issuer and underwriters and financial advisors.

C. Interest of Certain Persons Named in Official Statement. If any person named in the official statement as having prepared or certified an engineering report, feasibility study or similar analysis included or referred to therein was employed for such purpose on a contingent basis, furnish a brief statement of the nature of such contingent basis. If any such person was or is connected with the issuer as an underwriter, financial advisor, security holder, member of the governing body, executive official or employee, describe such connection.

D. Additional Information. Efforts should be made to make available to underwriters and investors specimens or copies of any indenture and other authorizing or governing instruments defining the rights of holders of the securities being offered, or preliminary forms thereof. The availability may be upon request or upon payment by the underwriters or investors of a reasonable copying, mailing and handling charge. The official statement may inform underwriters and investors of the availability of the information and the means of obtaining it. In such event, the description of the terms of the securities being offered may be qualified by reference to such additional information.

APPENDIX

MFOA Policy Statement
Adopted May 5, 1976

Disclosure Guidelines—I

The Municipal Finance Officers Association calls attention to its voluntary disclosure for offerings of securities of state and local governments and reiterates its opposition to additional federal control of state and local government issuers in this area.

Federal legislation which would impose such additional control or would mandate compulsory federal guidelines and supervision by the Securities and Exchange Commission is opposed by the Municipal Finance Officers Association because it is unnecessary, premature, violative of the constitutional principle of separation of powers.

We continue to advocate full disclosure and take the position above stated not to avoid furnishing information, but to keep control over our own fiscal affairs. We are reminded in this bi-centennial year that state and local government officials have always assumed responsibility for their fiscal affairs and to investors in their obligations and will continue to assume our special responsibilities which arise from current economic and market conditions and the larger number of individual investors among today's purchasers of municipal securities.

Disclosure Guidelines—II

RESOLVED, the Executive Board of the Municipal Finance Officers Association requests that the Committee on Governmental Debt Administration continue to work with all interested groups and individuals and that it recommends to the Board from time to time further necessary and desirable changes in and additions

to the disclosure guidelines for offerings of securities by state and local governments.

RESOLVED, the Executive Board of the Municipal Finance Officers Association expresses its appreciation to the National Science Foundation, Securities Industry Association, American Bar Association, American Institute of Certified Public Accountants, Dealer Bank Association, Municipal Securities Rulemaking Board, and other public interest professional and governmental organizations which have helped in the preparation of the voluntary disclosure guidelines for offerings of securities by state and local governments.

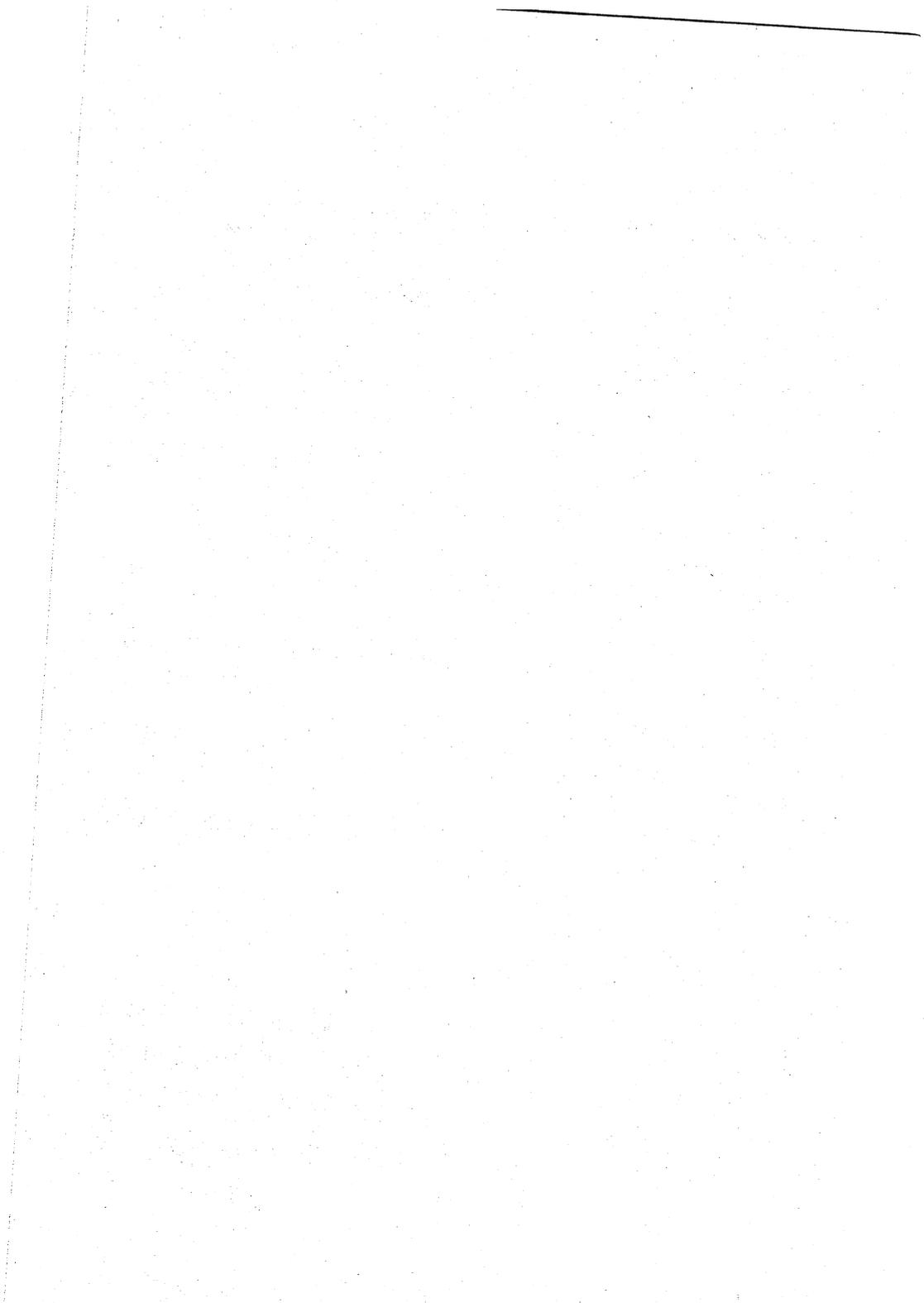
Disclosure Guidelines—III

The Municipal Finance Officers Association of the United States and Canada hereby recommends the use by each state and local government unit and by investors and dealers of the disclosure guidelines for securities of state and local governments as such guidelines shall from time to time be approved and distributed by the Executive Board.

Guidelines for the Timely Provision of Information on a Continuing Basis

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Introduction

These *Guidelines* are designed for use by state and local governments in providing timely information on a continuing basis to securities holders, potential purchasers of securities in the secondary market, dealers, securities analysts and rating services. Issuers now publish documents on a recurring basis providing information that may be important to holders of their outstanding obligations. Many issuers provide such information in their official statements when they make securities offerings on a regular basis. Others present current information in the context of their annual financial reports and the accompanying commentary and historical data or in their annual budget documents. Many issuers may find it useful to compile such information into a single document expressly designed to inform investors in their securities on a recurring basis. The overriding consideration should be that documents containing such information statements should be timely and made readily available on a continuing basis to interested parties. See Procedural Statements Nos. 3 and 8.¹ Investors and dealers in the secondary market need current information on which to base decisions. The information suggested in these *Guidelines* is intended to assist in the production of documents acceptable for that purpose. It is not intended,

¹GFOA reaffirms its commitment to encourage timely publication of information. In that connection, GFOA is issuing these *Guidelines*, which were originally published in 1979, and will continue its examination of the appropriate methods for accomplishing continuing disclosure. Reference is made to GFOA's *Procedural Statements in Connection with the Disclosure Guidelines* respecting certain procedural matters in the process of providing information.

however, to create requirements or a legal obligation to provide information regarding any or all items that are suggested.

These *Guidelines* suggest material an investor might consider of importance in making an informed investment decision and that generally is available in financial reports, budget documents and other data accessible to the issuer. Information in the issuer's records or that can be obtained from another source, such as U.S. Government census reports, normally should be obtained, compiled and reported.

Other examples include economic and demographic data, which may be collected by regional, state, or federal entities or business and education groups, and information on assessed property valuations and tax payments, which may be taken from other governmental entities. Where sources other than the issuer provide information, that fact should be stated specifically in conjunction with the presentation of the information.

It is possible that other information, not suggested herein or referenced in the *Disclosure Guidelines for Offerings of Securities*, may at times be material and in such cases should be provided.

Certain types of issuers or circumstances might require additional information in order to give an adequate description of such issuers or circumstances. There also may be cases in which some of the suggested information is unnecessary or irrelevant. Further, it is recognized that, at times, various reports, contracts and other items suggested to be described may not exist or may not be material for a given issuer or transaction. The overriding consideration is to provide a complete, accurate and objective description of those factors that relate to the securities being traded in the market that are necessary to make an informed investment decision.

The order of presentation suggested in these *Guidelines* should not be deemed to recommend a specific order of presentation of information in the information statements. GFOA's Sample Official Statement indicates in Part II a format that has been found helpful for information statements, and it is suggested that issuers consider that format. The information set forth in the information statements should be presented in a concise, understandable fashion and in terms that are comprehended easily. Consideration should be given to setting forth material in a manner that will give appropriate emphasis to such material in view of its relative importance.

It is suggested that the financial statements contemplated in these *Guidelines* be prepared in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). Guidance in the application of those principles is provided by *Governmental Accounting, Auditing, and Financial Reporting*, issued by the Government Finance Officers Association (GFOA). The data suggested in these *Guidelines* may be combined with or extracted from any general purpose financial statements, as well. Such an approach could achieve a unity of the official statements, comprehensive annual financial reports, information statements and general purpose financial statements.

The function of a current information statement may be satisfied through availability of other documents containing substantially the same information. For example, official statements used for offerings during the fiscal year may contain all the relevant data. In such a case, the issuer may desire to consider reliance upon a two-part official statement, one part of which contains only offering data that may be detached so that the second part may constitute an information statement. Conversely, information statements may serve as official statements upon the attachment of or reference to a part including offering information. By such means, issuers may avoid the preparation of multiple documents where information remains reasonably stable during the fiscal year.

Some sections of these *Guidelines* are more appropriate for general obligation securities, while other sections are more appropriate for revenue securities or special obligation securities. In some cases, a particular security may combine characteristics of a general obligation security, a revenue security or a special obligation security. For example, revenue sources from an enterprise or enterprises² or a specific tax may be the primary source of payment and security for an issue of bonds, while additional security is furnished by the general taxing power of the issuer. Or the issuer may have both revenue and general obligation securities outstanding. Under these circumstances, the appropriate information sug-

² As used in these *Guidelines*, "enterprise" means any undertaking or activity relating to the construction, acquisition, operation or maintenance of facilities or services or otherwise performing governmental functions expected to generate revenues that are to be a material source of payment for the principal of and interest or premium on the securities.

gested for both types of securities should be provided. These *Guidelines* may not be appropriate for certain information where the debt service on the securities is dependent upon payment by a private entity. The presence of credit enhancement³ does not, however, obviate the applicability of these *Guidelines*.

To ensure dissemination of reported information, it is important that procedures be created whereby interested parties may receive information on a continuing basis. Issuers should consider making information available to local news publications for dissemination. Certain issuers, whose securities are widely held or actively traded, also should consider making information available to regional and national news publications.

It is suggested that issuers consider maintaining a mailing list of all parties who wish to receive information furnished by the issuers and that issuers consider inserting an appropriate notice (not constituting a contractual commitment) in official statements regarding the maintenance of the mailing list. Information may then be mailed to such parties as soon as it is prepared. Issuers also should be prepared to make copies of the information available to parties not listed on the mailing list and should send a copy to a central repository (see Procedural Statement No. 8).

These *Guidelines* also encourage timely release of official statements and of information describing certain events that have a major effect on an issuer's finances. Such information should be released immediately upon its availability in a reliable form. Issuers should endeavor to obtain reliable information as early as possible so that a prompt release may be made. Where current information is released on an annual basis, such information should be prepared for the same fiscal period each year.

Issuers are encouraged to submit their final official statements, information statements, annual reports and other information documents to any trustee for the securities and a central repository, such as that maintained by a public or private entity (see Procedural Statement No. 8). A statement on the cover of or in

³ Credit enhancements are contractual arrangements to provide for the payment of the principal of, or interest or premium on, or for the redemption of securities in the event that the issuer does not make payment in full or on time. Such an arrangement, which may provide for direct or indirect payment to the securities holder, may be conditional or irrevocable, for all or part of the securities offered, and for all or part of the life of the obligation, and is for the purpose of improving the creditworthiness of the securities being offered.

such documents should be made regarding the availability of copies of those documents through the repository. Issuers should also make individual copies of official statements and the most recent information documents available during the life of the securities, upon request and payment of costs. Upon providing such copies, issuers should include appropriate cautionary language to the effect that the official statement or documents speaks only as of its date and that changes may have occurred in the interim.

These *Guidelines* are not intended to establish standards of legal sufficiency. No implication is intended that previously prepared documents have been inadequate or that any document prepared in the future is inadequate solely because it does not comply with suggestions in these *Guidelines*. It should be emphasized that those preparing information should take great care to see that it is accurate and not misleading. Responsibilities of the various participants with respect to the development of information should be described in the information statements. Where appropriate, the various participants or attesting officials should consider the necessity of certifying to the accuracy and completeness of the material they have prepared.

SECTION I

Cover Page and Introductory Information

Many issuers provide current information specifically directed to securities holders. In this case, it is suggested that a cover page or introduction to the information statement contain the following information:

- (1) The name of the issuer (with appropriate identification).
- (2) Identification of the outstanding securities issues of the issuer (e.g., general obligation, water revenue, etc.).
- (3) A statement of the means by which the official statements for outstanding issues may be obtained. For this purpose, a reference to the availability of those official statements through a central repository and from the issuer is sufficient. (See Procedural Statement No. 8).
- (4) A reference to the availability of the issuer's comprehensive annual financial report and the means by which a copy thereof may be obtained.
- (5) The title, address and phone number of the issuer official(s) who can answer questions about the current information statement or who can direct inquiries to the appropriate responsible parties. Care should be taken that all material information is contained in the current information statement or other released documents, and no one should be given access to data that will not be made available generally to others upon request. If additional material information is obtained, the information should be disclosed as contemplated in Procedural Statement No. 8.

On the inside front cover or on the back cover of the informa-

tion statement, a Table of Contents should be used to indicate in reasonable detail the pages on which particular types of information may be found.

SECTION II

Description of the Issuer and Enterprise, Debt Structure, and Finances

A. Description of Issuer and Enterprise. Information should be provided that gives background and general information regarding the location, organizational structure and management, service responsibilities, and operations of the issuer or governmental enterprise.

For tax-supported general obligations or special tax securities of governments, information should be provided indicating the ability of the issuer to impose and collect, and the ability of its citizens to pay, taxes or other receipts that can be used to discharge the obligations. The information presented would normally include a description of the issuer's range and level of services and its capacity to provide such services. In addition, under most circumstances, a discussion of important economic and demographic data should be provided.

For revenue-secured obligations of a government enterprise, information should be provided regarding the enterprise's location, its organizational structure and management, the general character of the principal facilities and services provided, the nature of the users of services, continuing or planned construction and development activities, rate-setting powers, and the general operating experience. To the extent that the sources of revenues are dependent on the viability of the service area, certain information suggested in paragraph (1) above should be set forth.

For examples of the types of descriptive information that may be appropriate, reference is made to Section IV of the *Disclosure Guidelines for Offerings of Securities*.

B. Debt Structure. Information should be provided describing important factors related to the debt structure of the issuer or enterprise, including its authority to incur debt, trends in indebtedness, measures of debt burden, debt service requirements, and rates of retirement. Sufficient information should be provided so that the investor will be able to evaluate tax or other revenue sources in relation to the obligations or commitments of the issuer or enterprise. For issuers of tax-supported debt, information related to the size of and trends in the tax base and tax receipts and other revenues available for or dedicated to payment of debt service, applicable debt or tax limitations, and the indebtedness of overlapping or underlying governments dependent on the same tax base should be considered. For examples of the types of information that may be appropriate, reference is made to Section V of the *Disclosure Guidelines for Offerings of Securities*.

C. Financial Information. Information that indicates important factors related to the financial condition and results of operations of the issuer or enterprise should be presented. Such information may be divided into two parts: First, information that summarizes the financial practices and recent results of operations of the issuer or enterprise; and, second, that which is presented as the financial statements of the issuer or enterprise.

When presented as summary information, financial data should be presented in comparative columnar form for the fund types/account groups that provide information pertinent to the securities outstanding. Such information should be provided for each of the past three years and for the latest practicable date for interim periods of the current and prior fiscal year. Descriptions should be made of major trends in revenues and expenditures, the budgeting processes, revenue setting and collection policies, short-term borrowing, intergovernmental receipts, and significant features in employee pension and benefit programs and obligations.

It is suggested that financial statements be presented in conformity with generally accepted accounting principles⁴ and should be audited by an independent governmental audit organization, an independent certified public accountant or an independent

⁴ As contained in pronouncements of the Governmental Accounting Standards Board.

licensed public accountant in accordance with generally accepted auditing standards.⁵ If the financial statements are not prepared in conformity with generally accepted accounting principles, the material differences between the basis upon which they are prepared and those of generally accepted accounting principles should be discussed and the effects of such differences should be quantified. For a discussion of the presentation of financial information, reference is made to Section VI of the *Disclosure Guidelines for Offerings of Securities*.

⁵ As contained in pronouncements of the American Institute of Certified Public Accountants and the U.S. General Accounting Office.

SECTION III

Legal Matters

Describe any pending legal proceedings that may materially affect the issuer's or enterprise's ability to perform its obligations to the holders of the securities outstanding, including the effects of the legal proceedings on the securities outstanding and on the source of payment therefor. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceedings, and the relief sought. In appropriate cases, include or summarize, with the consent of counsel, and opinion of counsel as to the merits of the legal proceedings. Provide similar information as to legal proceedings that have been threatened to a degree constituting a material possibility that they will be instituted. An opinion of counsel with respect to such legal proceedings may, with the consent of counsel, be included or summarized in the information statement. State the name of such counsel. If a prior opinion of counsel that was previously released has been withdrawn or modified, so state and describe the circumstances.

SECTION IV

Miscellaneous

A. Ratings. If ratings for the securities outstanding have been received by the issuer, state all ratings of the securities outstanding and the names of the rating agencies. If no ratings have been obtained or a rating has been refused for any such securities, a statement should be made to such effect. Changes known to the issuer in any ratings of any securities of the issuer during the preceding two years should be described.

It is suggested that the discussion indicate that (1) such ratings reflect only the views of such agencies and either set forth an explanation of such ratings as described by such agencies or refer the prospective purchaser to such agencies for an explanation of such ratings; (2) there is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn; and (3) a revision or withdrawal of the ratings may have an effect on the market price of the securities.

B. Interest of Certain Persons Named in Information Statement. If any person named in the information statement as having prepared or certified an engineering report, feasibility study or similar analysis included or referred to therein was employed for such purpose on a contingent basis, furnish a brief statement of the nature of such contingent basis. If any such person was or is connected with the issuer as an underwriter, financial advisor, security holder, member of the governing body, executive official or employee, describe such connection.

SECTION V

Changes in Indebtedness

A. If the issuer has authorized additional indebtedness (other than tax or revenue anticipation indebtedness) since the last periodic information statement, (i) briefly describe the transaction(s) and securities or other indebtedness involved, the principle purpose(s) for which the indebtedness is authorized and the amount authorized for each such principal purpose; and (ii) if the terms and conditions of such additional indebtedness affect the rights of holders of any outstanding securities, identify such securities or other indebtedness involved, and as to each new indebtedness, containing terms and conditions affecting the rights of holders of any outstanding securities, give appropriate information as to such securities to enable investors to understand their rights. Reductions in indebtedness also should be described.

B. With respect to securities outstanding, if changes have occurred in matters of the nature suggested for reporting in any of the items set forth in the next paragraph, but the changes have been unreported pursuant to these *Guidelines*, (i) refer to the official statements or other documents describing the original information concerning the securities and (ii) describe the changes. If changes of such nature have occurred since the issuance of the securities, but have been reported previously pursuant to these *Guidelines*, refer to the previous information statements, official statements or other documents describing (i) the original information concerning the securities and (ii) the subsequent changes. If no such changes have occurred, refer to the official statements or other instruments or documents describing the original information concerning the securities. If a large number of outstand-

ing securities issued at various times is similarly affected by the changes, then the references may be to the affected group in general, so long as that group is clearly identified. In all cases, where reference is made to information statements, official statements or other instruments or documents, state the means by which copies or adequate summaries thereof may be obtained (see Procedural Statement No. 8).

The items referred to in the preceding paragraph are as follows:

(1) The date of the obligations, interest payment dates, the date from which interest is paid and any special interest payment features (e.g., zero coupon, limited interest, variable rate, etc.).

(2) Identification if the securities are in book entry form or eligible for custodial deposit with a registered securities depository, identifying the depository.

(3) Names and cities of the principal offices or the trustees, registrar and paying agents.

(4) Mandatory, optional or extraordinary redemption features.

(5) Maturity date.

(6) The pertinent provisions of the state constitution, statutes, resolutions and such other documentation that authorized the issuance of the securities.

(7) The principal purpose for which the proceeds of the sale of the securities were authorized or proposed to be used and the approximate amount authorized or proposed for each purpose; any program of construction or addition of equipment to be financed from the proceeds of the sale of the securities or the use or availability of material amounts of other funds to be used on conjunction with the proceeds of the sale, or the sources of any such other funds.

(8) Provisions with respect to the security and sources of payment for the securities; the priority of payment or lien to any outstanding securities or other obligations of the issuer; physical properties, assets or revenues securing the securities and the provisions for their release or substitution; guarantees, insurance, coverage by lines or letters of credit, or other credit enhancement of the payment of the principal of or interest or premium on (or repurchase price of) the securities; the financial condition or other appropriate information as to such guarantor, insurer, or other provider of credit support; and any exclusion of such guarantor, insurer or other provider of credit support disclosed by it to the

issuer of the securities that may be asserted in a suit on the guaranty or insurance.

(9) Provisions regarding (i) the flow of funds from enterprise revenues, including any restrictions thereon, (ii) the creation or maintenance of reserves, or (iii) maintenance or insurance of properties; investment of the proceeds or the reserves from the sale of securities; or parties who hold and control the proceeds of such securities and the method by which such proceeds are to be expended.

(10) Purposes for which additional debt may be issued, including provisions permitting or restricting the issuance of additional securities or the incurrence of additional debt; legal requirements, such as voter approval, that must be made in connection with debt issuance; or if there are revenue securities outstanding, the enterprise's authority to borrow funds for various purposes and the conditions under which the enterprise is empowered to issue varying types of indebtedness.

(11) The trustee or fiscal agent, if any; the rights and duties of the trustee or fiscal agent; important conditions and the percentage of securities that would require the trustee or fiscal agent to take any action; any indemnification the trustee or fiscal agent may require before proceeding to enforce the rights of holders of the securities; any business relationship of the trustee or fiscal agent with the issuer as security holder, depository or otherwise; or any capacity in which the trustee or fiscal agent acts as trustee or fiscal agent for the holders of other securities of the issuer.

(12) Pertinent provisions of the state constitution, statutes or judicial decisions that could affect the status of or priority for the bondholders, including limitations on rights of securities holders to enforce the securities or the related documentation.

(13) The ability of any party to modify the terms of the securities, including provisions with respect to security or source of payment.

(14) Provisions in the securities outstanding, the indenture or other authorizing or governing instruments regarding specified events constituting defaults and the remedies therefor under the securities; whether any periodic evidence is required to be furnished as to the absence of default or as to compliance with the terms of such securities, indentures or instruments; or the degree

to which the issuer is subject to suit for failure to perform its obligations to the holders of the securities or is subject to the enforceability of judgments resulting from such suit.

(15) Other significant matters of the nature described in Section III of the *Disclosure Guidelines for Offerings of Securities*.

SECTION VI

Information for Release Other Than on an Annual Basis

A. Release should be made of each official statement for an offering of securities of the issuer containing information substantially more current than that contained either in the last official statement for an offering or in the last information statement of the issuer or enterprise, whichever is the latest to be released pursuant to these *Guidelines*. Release should include sending a copy to a central repository (see Procedural Statement No. 8). Financial statements regarding a fiscal year not covered in any such prior official statement or information statement should be regarded as "substantially more current," as should other information materially differing from information previously reported. Release of each official statement pursuant to this paragraph should be made in the manner suggested in the Introduction to these *Guidelines* and Procedural Statement No. 8.

B. Release also should be made as promptly as possible of information concerning major developments about the issuer or enterprise, where such information has not been released previously pursuant to these *Guidelines*. See Procedural Statement No. 8 regarding sources to which releases may be distributed. Distribution should also be made to registered securities holders. Normally, information regarding the continuation of a prior trend in any area of information without a material change in the direction or rate of change of the trend, should be made pursuant to sections of the *Guidelines* other than this Section VI. However, information concerning any rapid change or the occurrence of any other event that can be expected significantly to affect reasonable investment or trading decisions should be released in the

Procedural Statements in Connection with the Disclosure Guidelines

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Introduction

The Government Finance Officers Association has a continuing policy of issuing a series of Procedural Statements regarding disclosure in the state and local government securities market. These Procedural Statements will be issued periodically, as appropriate.

These Procedural Statements are intended to suggest procedures to state and local governments with respect to supplying information to investors. They are not intended to establish standards of legal sufficiency. No implication is intended that previous procedures have been inadequate, or that future procedures are inadequate, solely because they do not comply with the suggestions in the Procedural Statements. It is emphasized, however, that issuers should exercise care in determining the procedures that they follow.

The provision of information by issuers on a timely basis is important, both in the conduct of a securities offering and on a continuing basis thereafter. These Procedural Statements are intended to further the availability of information to investors and dealers and, through increased issuer, investor and dealer cooperation, to resolve the complex problems of the process of providing information to investors.

The terms "underwriter" and "dealer" are used interchangeably herein.

PROCEDURAL STATEMENT NO. 2

Use of Preliminary and Final Official Statements

A preliminary official statement is a document that provides information to investors and assists in the offering and sale of the securities. It contains information concerning the proposed issue as of the date of its release, which generally is prior to the date of sale. The preliminary official statement may omit pricing, underwriting, and other information not available before the date of sale, and the information contained therein is subject to change and amendment prior to the closing date.

A final official statement contains information concerning an issue as of the date to which it speaks and it may contain change and amendment from the preliminary official statement. It will generally contain pricing, underwriting, and other information that was omitted or changed from the preliminary official statement. Copies of the final official statement are to be provided to all purchasers. In many competitively bid offerings, an official statement will be released prior to the date of sale. If no further official statement is made available, that official statement, to which pricing, underwriting, and various other information may have been attached subsequent to its release, is considered the final official statement. (See Procedural Statement No. 4).

There are, of course, those circumstances in which additional information that must be stated under applicable legal principles becomes known subsequent to the date of the final official statement and prior to the date of closing. In such cases, an appropriate supplement or amendment of the original document should be made, with distribution of the supplement or amendment to those parties who received the original information. Where a

Availability of Official Statements to the Public and Delivery of Official Statements to Underwriters

Issuers of municipal securities should, in addition to preparing official statements, take appropriate steps to further the availability to the public of the information therein. When an offering through competitive bid is pending, the issuer should state, in connection with its notice of sale, that copies of the official statement may be obtained from it by any interested party. The name and title of the official through whom the copies may be obtained also should be stated, as should the address and phone number of the official.

Underwriters should be provided a sufficient number of copies for purposes of the offering. A copy should also be provided to a central repository for preservation and continued availability (see Procedural Statement No. 8). All parties other than underwriters who contact the issuer should receive, without charge, at least one copy of the official statement. A reasonable charge for copying, handling, and mailing may be imposed for additional copies delivered to parties other than underwriters.

The time at which copies of the official statement should be furnished to underwriters is subject to the particular circumstances. In any event, it is important for the official statement to be made available to investors as early as possible, and copies should be made available at such a time and in such quantity as will permit the official statement to be mailed expeditiously by the underwriters in time for receipt by investors at or prior to settlement. To the extent possible, final official statements should be made available immediately following the sale in negotiated issues and as early as feasible in competitively bid offerings (see Procedural Statement No. 2).

Underwriting Data

At times, certain underwriting data are provided by the underwriters to investors with official statements. Such data may be furnished by the underwriters pursuant to rules of the Municipal Securities Rulemaking Board.

Such underwriting data should be designated clearly as data furnished by the underwriters and not by the issuer. It also is appropriate, so as to make final official statements available as early as possible or for other reasons, to separate the underwriting data from the information disclosed by the issuer through the use of a separate document for the underwriting data, either not attached to the official statement, or, if attached, by noting the source of such data.

statement and the closing should be made known to the underwriters and others obtaining official statements from the issuer (see Procedural Statements Nos. 2 and 8).

It also is reasonable for underwriters to ask that issuers furnish certification by an appropriate official of the issuer, acting in an official and not in a personal capacity, of information in the official statement that at least would provide to the effects that at the date of the official statement and the date of closing the official statement of the issuer pertaining to the bonds did not contain any untrue statement of material fact or omit a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and that since the publication of the official statement, there has been no material adverse change relating to the issuer, other than as disclosed in the official statement, that reasonably should have been contemplated.

PROCEDURAL STATEMENT NO. 7

Procedures for Notices of Call and Call Payments

In calling bonds, issuers should use procedures that enhance the efficiency of the bond redemption process. In particular, the following procedures are suggested:

Notices of bond redemptions should contain, at a minimum: CUSIP¹ numbers; certificate numbers and called amounts (for partial calls) of called certificates; publication date; redemption date; redemption price; redemption agent's name and address; date of issue; interest rate; maturity date; and other descriptive information as may be needed to identify accurately the called security and procedures to be followed.

All redemption notices should be mailed to registered holders and sent, in a secure fashion (e.g., registered or certified mail or overnight delivery service), to all three registered securities depositories² and sent to national information services that disseminate redemption notices.³

Redemption notices should be published at the time of the advance refunding, if any. Second notices of advance refundings,

¹The securities numbering system devised by the Committee on Uniform Security Identification Procedures (CUSIP) of the American Bankers Association and currently "operated" under contract by Standard & Poor's, New York.

²At present, the three registered securities depositories are The Depository Trust Company, New York; Midwest Securities Trust Company, Chicago; and Philadelphia Depository Trust Company, Philadelphia.

³Sending the notices to nationally recognized services, such as the following, should suffice for most purposes: Financial Information, Inc.'s *Financial Daily Called Bond Service*, New York; Interactive Data Corporation's *Bond Service*, New York; Kenny Information Service's *Called Bond Service*, New York; Moody's *Municipal and Government News Reports*, New York; and Standard & Poor's *Called Bond Record*, New York. *The Bond Buyer*, New York, also publishes such notices.

Dissemination of Information and Providing Statements, Reports, and Releases to a Central Repository

As suggested in the *Guidelines for the Timely Provision of Information on a Continuing Basis*, issuers should make continuing information available.

Information releases suggested by the *Guidelines* should be provided, promptly upon availability of relevant material information, to those dissemination services that are most likely to reach investors and securities dealers.⁴ It is suggested further that copies of annual reports, information statements and releases having a material bearing upon outstanding securities, and escrow agreements, be mailed to investors requesting that their names be placed upon a mailing list for that purpose. Notice of such a mailing list may be in such form as not to constitute a contractual commitment.

Submission of documents to a public or private central repository may be used as one part of accomplishing the purposes of disseminating and preserving official statements, annual reports, information statements, releases and escrow agreements.⁵ Issuers are strongly urged to send, promptly upon availability, a copy of each document to a repository. The sending of documents to a repository should not be deemed to indicate that they speak as of any date other than the date indicated in the documents,

⁴Examples of those services include: news wires, such as Munifax, maintained by *The Bond Buyer*, New York, and Dow Jones Wire, maintained by Dow Jones & Company, New York; daily financial periodicals of national circulation, such as *The Bond Buyer*, *The Wall Street Journal*, and *Investors Daily*; and local and regional newspapers.

⁵Such repositories are maintained by *The Bond Buyer*, New York, under the name "Munifiché" and by Securities Data Company, Inc., New York. Future editions of these *Procedural Statements* may make reference to other repositories, public and private, that become available.

PROCEDURAL STATEMENT NO. 9

Use of Opinions and Reports of Auditors and Other Experts

When auditors, engineers, or other consultants or experts are retained for the preparation of opinions or reports that may be included in an official statement, they should be advised upon their retention by, or on behalf of, an issuer that their opinions will be so used.

It may also be advisable to obtain the advice of counsel as to whether a statement should be made in the official statement that the inclusion is made in reliance upon the expert status of the auditors, consultants, engineers or other experts.

PROCEDURAL STATEMENT NO. 10

Transfer Agent and Record Date Standards

Issuers should require their transfer agents to transfer their securities with a 72-hour turnaround, so that undue transfer delays may be avoided.

A record date standard of 15 days prior to interest payment dates is suggested.

Issuers should specify these standards in trust indentures, transfer agent agreements, and other documentation related to the securities transfers.

Transfer agents should be identified, where possible, prior to the date of sale of an issue so that all parties are aware of the identity of the agent. In a competitively bid issue, the identification could be made, for example, in the notice of sale.

