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Continuing Disclosure- Responsibilities and Recent Changes
SCASBO – Fall Meeting

November 2, 2011



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Topics in this Discussion

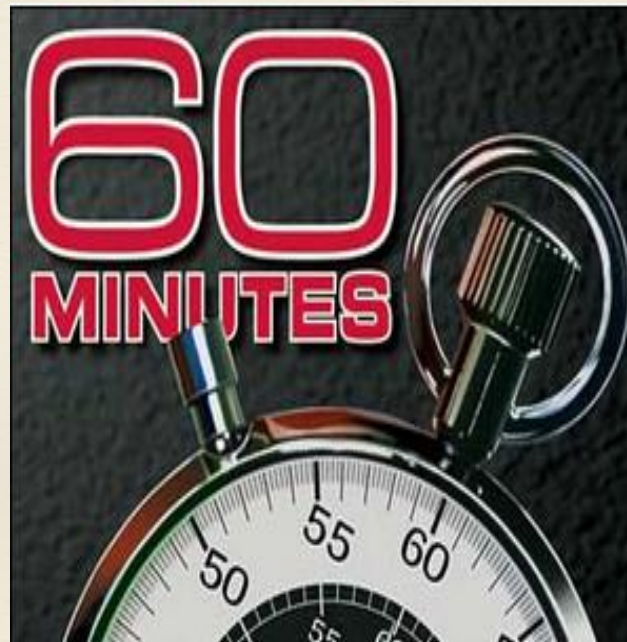
- What is continuing disclosure and why is it important?
- What is the Electronic Municipal Market Access system?
- What are my continuing disclosure responsibilities and have they changed?
- Importance of compliance – recent events.

Why Is It Important?



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Renowned Wall Street analyst Meredith Whitney has warned that the U.S. may witness between 50 to 200 "sizeable defaults" amounting to "hundreds of billions of dollars" among municipal and state governments next year, which could derail the recovery.

Source: 60 Minutes



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Continuing Disclosure Defined:

- “Continuing disclosure consists of important information about a municipal bond and its issuer that arises after the initial issuance of the bond. This information generally reflects the financial or operating condition of the issuer as it changes over time, as well as specific events occurring after issuance that can have an impact on the ability of issuer to make payments on the bond, the value of the bond if it is traded prior to its maturity, the timing of repayment of principal, and other key features of the bond.”
- Enforced through SEC regulation of Broker-Dealers; Required in Primary Offer as an Aid to Secondary Market
- Exempt from Registration and Reporting Requirements of ‘33 Act and ’34 Act (Tower Amendment – Pre-sale) – But see Rule 10b-5 and Rule 15c2-12 and SEC’s 1994 Interpretative Release (not private placements)

What is EMMA?



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- The Electronic Municipal Market Access system, or EMMA, is a comprehensive, centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market
- www.emma.msrb.org
- Centralized Information Depository
- Replaced Nationally Recognized Municipal Securities Information Repositories (NRMSIRs)



EMMA - Electronic Municipal Market Access

The Official Source for Municipal Disclosures and Market Data



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Securities Official Statement Continuing Disclosure

Displaying 16 maturities.

<u>CUSIP</u> ^	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Principal Amount At Issuance (\$)</u>	<u>Initial Offering Price (%)</u>	<u>Security Description</u> ^
763665XL5	03/01/2014	5	4,000,000	110.987	REF-SER A
763665XM3	03/01/2015	5	5,005,000	114.869	REF-SER A
763665XN1	03/01/2016	5	5,310,000	117.486	REF-SER A
763665XP6	03/01/2017	4	4,530,000	114.422	REF-SER A
763665XQ4	03/01/2018	5	8,870,000	121.274	REF-SER A
763665XR2	03/01/2019	5	9,250,000	122.286	REF-SER A
763665XS0	03/01/2020	5	9,705,000	122.964	REF-SER A
763665XT8	03/01/2021	5	10,190,000	123.798	REF-SER A
763665XU5	03/01/2022	5	10,715,000	122.629	REF-SER A
763665XV3	03/01/2023	4	12,675,000	112.169	REF-SER A
763665XW1	03/01/2024	5	13,215,000	118.556	REF-SER A
763665XX9	03/01/2025	5	16,090,000	117.234	REF-SER A
763665XY7	03/01/2026	4	16,940,000	104.157	REF-SER A
763665XZ4	03/01/2027	4	22,340,000	103.309	REF-SER A
763665YA8	03/01/2028	5	23,305,000	114.188	REF-SER A
763665YB6	03/01/2029	5	24,485,000	113.283	REF-SER A

HAMPTON COUNTY SCHOOL DISTRICT #1 SC GENERAL OBLIGATION BONDS TAXABLE SERIES 2010B QSCB (SC)

HAMPTON CITY S C SCH DIST NO 1 TAXABLE-SER B-QUALIFIED SCH (SC)*

Dated Date: 12/30/2010

Closing Date: 12/30/2010

Maturities and issue-related documents

View all maturities of an issue and download the official statement and other documents available from EMMA for this issue. Click on a CUSIP number for security specific data, including trade price data.

[Return to Search Results](#) | [See other Issues by this Issuer](#)

Securities

Official Statement

Continuing Disclosure

View continuing disclosure or advance refunding document, which provides important information about the security after initial issuance.


Links to former NRMSIRs


For continuing disclosure documents produced prior to July 1, 2009, contact one of the following organizations:

- [Bloomberg Municipal Repository](#)
- [DPC Data](#)
- [Interactive Data Pricing and Reference Data](#)
- [Standard & Poor's](#)


Financial/Operating Filing


Annual Financial Information and Operating Data

 [Continuing Disclosure Report for Hampton SD 1 for the year ended 06/30/2010 Document2 posted 01/30/2011 \(901 KB\)](#) [details](#)

 [Continuing Disclosure Report for Hampton SD 1 for the year ended 06/30/2010 Document1 posted 01/30/2011 \(4.1 MB\)](#) [details](#)

Audited Financial Statements or CAFR

 [2010 Audit for Hampton SD 1 for the year ended 06/30/2010 posted 01/30/2011 \(901 KB\)](#) [details](#)

 [2010 Audit for Hampton SD 1 for the year ended 06/30/2010 posted 01/30/2011 \(4.1 MB\)](#) [details](#)

[View Document Archive](#)

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What are my continuing disclosure responsibilities?



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Established in the Continuing Disclosure Agreement (CDA) executed at the closing of your Bonds.

Issuer may engage a Dissemination Agent to assist with disclosure responsibilities.

Generally Requires:

- Disclosure of Financial and Operating Information
- Material Event Notices

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain the Issuer's complete audited financial statements, which shall be prepared in accordance with generally accepted accounting principals. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. In addition thereto, the Annual Report shall contain or incorporate by reference the following:

- (a) School District enrollment for current fiscal year;
- (b) Total anticipated state appropriations subject to withholding under Article X, Sec. 15, South Carolina Constitution for current fiscal year;
- (c) Anticipated funding under Education Finance Act, Education Improvement Act and School Building Aid Program for current fiscal year;
- (d) Market Value/Assessment Summary of taxable property in School District;
- (e) Tax levy for School District for current fiscal year;
- (f) Tax collections for School District for preceding fiscal year;
- (g) Ten largest taxpayers for School District for preceding fiscal year;
- (h) Anticipated funding under any program successor to the Education Finance Act or the Education Improvement Act;
- (i) Anticipated funding from Homestead Exemption Fund established pursuant to Section 11-11-155, Code of Laws of South Carolina, 1976.; and
- (j) Summary of School District budget for current fiscal year.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.



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Contents of an Annual Report



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Former Material Events

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of Bondholders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing the repayment of the Bonds; and
- (11) Rating changes.



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Recent Changes?

- 15c2-12 amendments effective 12/1/2010
- Existing CDAs are not affected by the amendments; amendment/replacement is not req'd
- VRDO Exemption Deleted – New offerings
- Removal of Materiality for Certain Events (P&I Delinquency, DSRF Draws, Draws on Credit Enhancer, Liquidity Provider Substitution, Adverse Tax Opinions, Defeasances, Rating Changes)
- New Events w/o materiality qualifier (Tender Offers, BY, Change of Credit Enhancement Provider)
- Certain other events, if Material
- Notice filed “In a timely manner” = 10 days

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) Delinquency in payment when due of any principal of or interest on the Bonds;
- (ii) Defeasance of the Bonds or any portion thereof;
- (iii) Any change in any rating on the Bonds;
- (iv) The issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the status of the securities, or other material events affecting the tax status of the security;
- (v) Tender offers;
- (vi) Any unscheduled draw, reflecting financial difficulties, on any reserve fund established by the Issuer to secure further the timely repayment of the Bonds;
- (vii) Any unscheduled draw reflecting financial difficulties on any credit enhancement device obtained by the Issuer to secure further the timely repayment of the Bonds;
- (viii) Any change in the provider of any credit enhancement device described in item (vii) above, or any failure by the provider to perform under such a credit enhancement device; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the Issuer.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Occurrence of any event of default under the Resolution (other than as described in clause (a)(i) above);
- (ii) Amendment to the Resolution or this Disclosure Undertaking modifying the rights of the Beneficial Owners of the Bonds;
- (iii) Giving of a notice of optional or unscheduled redemption of any Bonds;
- (iv) The release, substitution or sale of any property hereafter leased, mortgaged or pledged by the Issuer securing repayment of the Bonds;
- (v) Consummation of a merger, consolidation or acquisition involving an obligate person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms; or
- (vi) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event in subsection (b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that a Listed Event in subsection (b) above would be material under applicable federal securities law, or upon the occurrence of any Listed Event in subsection (a) above, the Issuer shall file a notice of the Listed Event in a timely manner, not in excess of ten business days of such occurrence, with the National Repository and the State Depository, if any.



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New Events



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Continuing Disclosure:

Examples: Why compliance is so important.

- Accurate Financial Information
- Enhance Credibility in Marketplace
- Favorable Disclosure Record with Investors (Buy-side Perspective)
- Support of Rating Agencies (*see* Dekalb County; Sarasota County)
- IRS Audit Risks
- Increased Awareness by SEC (Elaine Greenberg – “Top Priority”; Road Shows), MSRB, Congress and Rating Agencies
- Financial/GFOA Best Practices
- Promulgation of baseline disclosure requirements
- Possible penalties for negligence

THE BOND BUYER

THE DAILY NEWSPAPER OF PUBLIC FINANCE



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MSRB to SEC: Issuers Should be Penalized for Not Complying with Disclosure Agreements

Tuesday, August 9, 2011

TAX ENFORCEMENT
MSRB, IRS Enter Pact On Munis
Board Offers Data For Enforcement

Monday, October 24, 2011

REGULATORY
Let SEC Lead on Disclosure
NABL Lawyer Seeks 'Market Betterment'

Friday, October 14, 2011

CALIFORNIA PUBLIC FINANCE CONFERENCE
Panel Weighs Disclosure Negligence

Thursday, September 15, 2011

REGULATORY
Municipal Disclosure Bill Eyed
SEC Would Get New Authorization

Monday, September 19, 2011

BOND LAWYERS

NABL Calls for More Pension Disclosure

Thursday, October 13, 2011

Five States Made Up 40% of Disclosures

Friday, August 26, 2011

NABL: SEC Could Encourage More Muni Disclosure

Friday, September 23, 2011
By John Quigley

Standard & Poor's Issues Report On How It Will Suspend Ratings

Monday, August 29, 2011

www.PopeZeigler.com

DeKalb's Descent Startles Market

S&P Drops Credit By Five Notches

BY SHELLY SIGO

BRADENTON, Fla. — Some municipal bond market observers say last week's stunning five-notch downgrade of Georgia's third-largest county highlights the importance of disclosure — or what **Standard & Poor's** sees as insufficient disclosure in the case of **DeKalb County**.

The downgrade to BBB from AA-minus, and withdrawal of the county's ratings, drew swift reaction from market observers and forced bondholders unable to hold the debt at the lower rating to shed their investments.

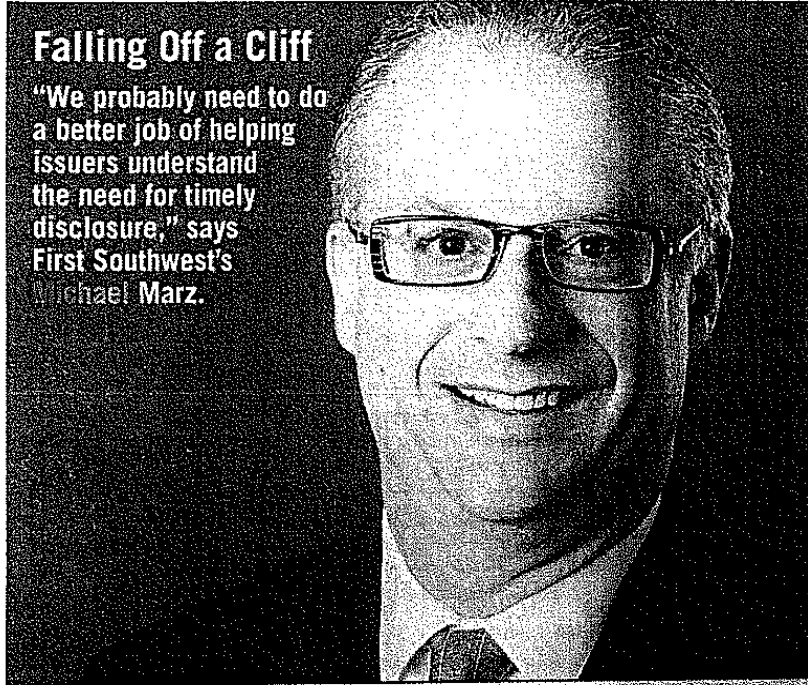
Standard & Poor's had given the county a gilt-edged AAA rating as recently as January.

Some experts said the situation should send a message to issuers about the importance of disclosure, and the potential higher cost of credit.

But they also rejected the idea that DeKalb's downgrade supports predictions of wide-

Falling Off a Cliff

"We probably need to do a better job of helping issuers understand the need for timely disclosure," says First Southwest's Michael Marz.



spread defaults by municipalities.

DeKalb has not defaulted on its debt and Standard & Poor's analysts said its action, while unusual, was indicative of a county with a rapidly deteriorating financial condition and inconsistent reporting on which to base a rating analysis.

"It was clearly the absence of information that contributed to that," Michael Marz, a vice chairman at First Southwest Co. and chairman of the Bond Dealers of America, said at the National Municipal Bond Summit in Miami Beach last week.

Marz said there is an expense

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"There is an expense associated with a lack of disclosure, and without the proper continuing disclosure agreement, underwriters cannot sell bonds."



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Concentrating on public finance, governmental and utility representation