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"UNDERSTANDING YOUR CONTINUING DISCLOSURE OBLIGATIONS, THE ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM AND OTHER IMPORTANT DISCLOSURE UPDATES"

Monday, May 2, 2010

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&
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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

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What is Continuing Disclosure?

- 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

- 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)

- Required in Primary Offer; Aid to Secondary Market

What is the Electronic Municipal Market Access system?

- 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)

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Issue Details

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT, SOUTH CAROLINA WATERWORKS AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS, SERIES 2010B (SC)

HILTON HEAD PUB SVC DIST NO 1 S C WTRWKS & SWR SYS REV
IMPT-SER B (SC)*
Dated Date: 08/24/2010
Underwriting Spread Amount: Disclosed in Official Statement
Closing Date: 08/24/2010

Displaying 15 maturities |
Return to Search Results | See other Issues by this Issuer

CUSIP *	Maturity Date	Interest Rate (%)	Principal Amount At Issuance ($)	Initial Offering Price (%)	Security Description
432845ED3	12/01/2011	2	130,000	101.639	IMPT-SER B
432845EE1	12/01/2012	2	130,000	102.465	IMPT-SER B
432845EF8	12/01/2013	3	135,000	106.084	IMPT-SER B
432845EG6	12/01/2014	3	140,000	106.807	IMPT-SER B
432845EH4	12/01/2015	3	140,000	105.469	IMPT-SER B
432845EJ0	12/01/2016	4	150,000	110.484	IMPT-SER B
432845EK7	12/01/2017	4	155,000	110.26	IMPT-SER B
432845EL5	12/01/2018	4	160,000	109.573	IMPT-SER B
432845EM3	12/01/2019	4	165,000	108.881	IMPT-SER B
432845EN1	12/01/2020	4	175,000	107.86	IMPT-SER B
432845EP6	12/01/2021	4	180,000	106.5	IMPT-SER B
432845EQ4	12/01/2023	4	385,000	104.717	IMPT-SER B
432845ER2	12/01/2024	4	205,000	103.404	IMPT-SER B
432845ES0	12/01/2025	4	210,000	102.539	IMPT-SER B
432845ET8	12/01/2029	3.875	940,000	97.669	IMPT-SER B

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.

Official Statement | Continuing Disclosure

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

Financial/Operating Filing
Audited Financial Statements or CAFR

June 30, 2010 Comprehensive Annual Financial Report for the year ended 06/30/2010 Document2 posted 12/29/2010 (3.3 MB) details

June 30, 2010 Comprehensive Annual Financial Report for the year ended 06/30/2010 Document1 posted 12/29/2010 (74 KB) details

Material Event Notices

No advanced refunding documents available.

View Document Archive

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

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What are my continuing disclosure responsibilities?

Established in the Continuing Disclosure Agreement 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

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Financial Information

Section 3. Provision of Annual Reports.

(a) The State shall, not later seven (7) months from the end of the State's Fiscal Year (currently June 30), commencing with the Annual Report for the Fiscal Year ended June 30, 2011, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; provided, however, that the Comprehensive Annual Financial Statements of the State for the Fiscal Year ended June 30, 2011, and for each subsequent Fiscal Year may be submitted separately from the remainder of the Annual Report, and later than the date required for the filing of the Annual Report if they are not available by that date. The State shall make a copy of any Annual Report available to any person who requests a copy at a cost not exceeding the reasonable cost of duplication and delivery. If the State's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a) hereof.

(b) If the State is unable to provide to the Repositories an Annual Report by the date required in subsection (a) above, the State shall send a notice to each Repository in substantially the form attached hereto as Exhibit B.

(c) In the event that there is a Dissemination Agent, then not later than fifteen (15) business days prior to each due date, commencing February 1, 2012, the State shall provide the Annual Report to the Dissemination Agent for distribution to the Repositories. In connection with this distribution of the Annual Report, the Dissemination Agent, if any, or the State shall:

(i) each year prior to the date for providing the Annual Report, determine the name and address of each National Repository and each State Repository, if any, and

(ii) in the event there is a Dissemination Agent, file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Contents of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited Comprehensive Annual Financial Report of the State for the Fiscal Year ended on the previous June 30, prepared in accordance with accounting principles generally accepted in the United States of America applicable to government entities from time to time by the Governmental Accounting Standards Board. If the State's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall include unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Revenue by sources in the preceding Fiscal Year for all governmental fund types, as indicated in Note 1 of the General Fund Financial Statements contained as Appendix A in the Official Statement;

(c) Computation of the legal debt margin for general obligation bonds as set forth in the Official Statement under the headings "CONSTITUTIONAL AND STATUTORY DEBT LIMIT" and "TABLES RELATING TO THE BONDS AND THEIR EFFECT ON THE DEBT OF THE STATE";

(d) Total Outstanding general obligation bonds and maximum annual debt service as set forth in the Official Statement under the heading "TABLES RELATING TO THE BONDS AND THEIR EFFECT ON THE DEBT OF THE STATE"; and

(e) Total general obligation bonds per capita as set forth in the Official Statement in the table entitled "Relationship of Population and Personal Income to General Obligations of the State" under the heading "ECONOMIC CHARACTERISTICS AND DATA."

The Annual Report may consist of one or more documents. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the State, which have been submitted by the State to each of the Repositories. If the document included by reference is a final official statement, it must be available from the MSRB. The State shall clearly identify each such other document so included by reference.

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Old Material Events

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, if material:

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

At the time of executing this Disclosure Undertaking, there are no debt service reserves, credit enhancements, credit or liquidity providers with respect to, or property securing prepayment of, the Bonds, nor does the State have any plan to obtain, establish, or pledge such.

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

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the

Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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Have my responsibilities changed?

- 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

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New Events

Section 5. Reporting of Significant Events.

(a) Pursuant to ~~the provisions~~ of this Section 5, the State 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) Adverse tax opinions;

(v) Tender offers;

(vi) Any unscheduled draw, reflecting financial difficulties, on any reserve fund established by the State to secure further the timely repayment of the Bonds;

(vii) Any unscheduled draw reflecting financial difficulties on any credit enhancement device obtained by the State 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 State.

(b) Pursuant to the provisions of this Section 5, the State 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) 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 securities;

(iii) Amendment to the Resolution or this Disclosure Undertaking modifying the rights of the Beneficial Owners;

(iv) Giving of a notice of optional or unscheduled redemption of any Bonds;

(v) The release, substitution or sale of any property hereafter leased, mortgaged or pledged by the State securing repayment of the Bonds;

(vi) Consummation of a merger, consolidation or acquisition involving an obligated 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

(vii) Appointment of a successor or additional trustee, or the change of name of a trustee.

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

(d) If the State 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 State shall file a notice of the Listed Event in a timely manner, not in excess of ten business days of such occurrence, with the MSRB and the State Repository, if any.

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Examples: Why compliance is so important.

- Accurate Financial Information
- Enhance Credibility in Marketplace
- Favorable Disclosure Record with Investors
- Support of Rating Agencies (*see* Dekalb County)
- IRS Audit Risks
- Increased Awareness by SEC (Elaine Greenberg – "Top Priority"; Road Shows), MSRB, Congress and Rating Agencies
- Financial/GFOA Best Practices

)eKalb's Descent Startles Market

&P Drops Credit y Five Notches

By Shelly Sigo

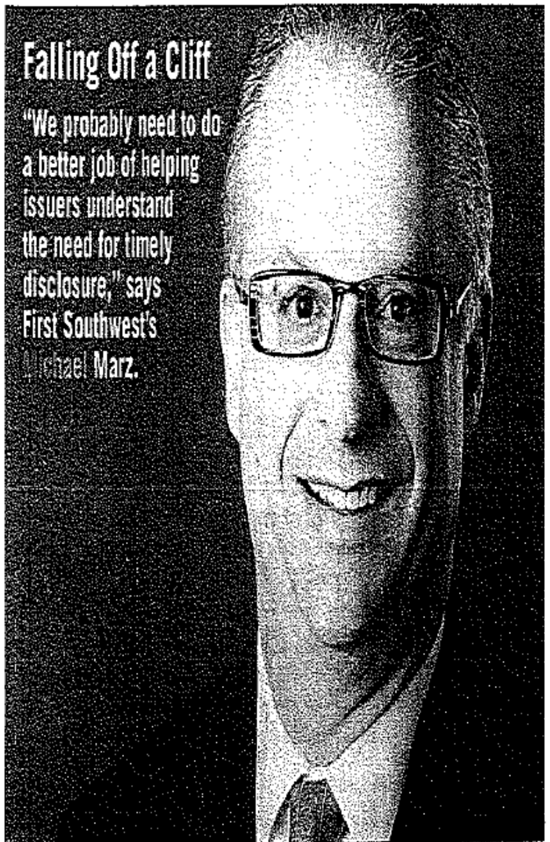
BRADENTON, Fla. — Some ınicipal bond market observ- ; say last week's stunning five- tch downgrade of **Georgia's** rd-largest county highlights : importance of disclosure — what **Standard & Poor's** sees insufficient disclosure in the se of **DeKalb County**.

The downgrade to BBB from \-minus, and withdrawal of : county's ratings, drew swift ıction from market observers d forced bondholders unable to ld the debt at the lower rating shed their investments.

Standard & Poor's had given : county a gilt-edged AAA rat- ; as recently as January.

Some experts said the situation ould send a message to issuers out the importance of disclo- re, and the potential higher cost credit.

But they also rejected the ɜa that DeKalb's downgrade pports predictions of wide-



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 absenc of information that contribute to that," **Michael Marz**, a vic chairman at **First Southwest Co** and chairman of the Bond Deal ers of America, said at the Na tional Municipal Bond Summi in Miami Beach last week.

Marz said there is an expens

Turn to **DeKalb** page

Continued from page 1

associated with the lack of disclosure, and without the proper continuing disclosure agreement underwriters cannot bid on an issuer's bonds.

"We probably need to do a better job of helping issuers understand the need for timely disclosure," he added.

The fundamentals of municipal credits remain very strong and very sound, **Noe Hinojosa**, president of **Estrada Hinojosa** & Co., said at the summit.

"When you are an issuer it is important to tell your story," he said. "We tell clients that never has an A [rating] mattered so much."

The steep rating downgrade took many officials in DeKalb by surprise, according to County Commissioner **Jeff Rader.**

Rader said that the commission erred last October when reserves were used for operational needs and that, in combination with unexplained expenses at the end of the year, pushed a negative fund balance forward.

In response to the rating downgrade, Rader said he unveiled a proposal late last week designed to stabilize the county's finances with a "modest" 3.3 millage-rate increase later this year that would restore reserves at $45 million — one month's expenses — and provide $17.7 million for capital and operation needs that may arise.

"All the commissioners understand that we have to increase revenues," Rader said. "I'm proposing to do it now to give a signal to the bond market and ... try to repair our credit. I hope that has a positive effect on what the market believes DeKalb is likely to do."

Standard & Poor's said several factors underpinned the county's rapid rating downfall, including multiple years of deficit operations that contributed to substantially weakened liquidity and a negative cash position at fiscal year end on Dec. 31 that necessitated internal fund borrowing to make GO debt-service payments on Jan. 1

and failed to implement timely solutions to offset the structural budget imbalance, analysts said, noting that county commissioners rejected tax increases last year and early this year.

At the end of 2009, the county had an unreserved fund balance of negative $34.5 million and preliminary unaudited results for fiscal 2010 indicated further deterioration of fund balance and liquidity, Standard & Poor's said.

Robin Prunty, a managing director at the agency, said analysts expected some local governments in the years ahead.

Typically, the agency downgrades a credit incrementally before taking the step to withdraw its ratings.

"I think this was an unusual and swift financial deterioration for the county and the credit deterioration was pretty swift, too," Prunty said.

Analysts at **Moody's Investors Service** said they have received sufficient information from DeKalb to support a GO rating of Aa3, after a December

A Stunning Descent

De Kalb County, Ga., GO bond sales

Issue	Amount	Sale date
Urban redevelopment bonds, Series 2010	$7.9M	Dec. 2010
Water & sewer bonds, Series 2010	$28.4M	Dec. 2010
New-money bonds, Series 2006	$230.0M	Jan. 2006
Refunding bonds, Series 2003 B	$74.6M	Nov. 2003
Refunding bonds, Series 2003 A	$53.3M	July 2003
New-money bonds, Series 2001	$125.0M	Oct. 2001
Jail bonds, Series 1998	$2.0M	Aug. 1998
Refunding bonds, Series 1993	$81.1M	Nov. 1993
Health facility bonds, Series 1993	$29.7M	June 1993
Refunding bonds, Series 1992	$64.8M	Nov. 1992

Source: Thomson Reuters

to receive timely, adequate information about cash flows and how overall liquidity is being managed in order to continue evaluating DeKalb's rating.

"It was our view that was lacking and the information we were getting was not as consistent as it needed to be to make an assessment of their liquidity," she said. "It's unusual to see a transition like that, and we certainly don't have a lot of them. I think that's pretty unique to DeKalb."

The swift downgrade of a highly rated credit is not a trend Standard & Poor's expects to see going forward, Prunty said.

DeKalb is dealing with liquidity

downgrade from Aa1. Moody's lowered the county's rating to Aa1 from Aaa in 2009.

The rating incorporates a sizeable tax base outside Atlanta that has seen some decline, according to Moody's lead analyst **Lauren Von Bargen.**

The release of audits and other financial information is typical of what Moody's see across the muni market generally, and not a concern, she said.

"When the 2010 audit comes out we'll see if it is in line with unaudited year-end results," Von Bargen said. "We're having an ongoing dialogue with them to see if there is any new information they can provide us because it is a high-

looked to fund balances and reserves to help bridge the budget gap, said Moody's managing director **Anne Van Praagh**, who stressed that the current issue deals with "revenue and spending" and is not a debt-service crisis.

"At Aa3 with a negative outlook we don't have concerns about their willingness to repay their debt," Van Praagh said. "It is not unusual for state or local governments to rely on interfund transfers to support operations. Local governments are looking at every possible fund to find interim relief."

Rader said the county's seven-member commission, composed of one Republican and six Democrats, is not against raising taxes or laying off employees if necessary.

Commissioners and the county's elected chief executive officer are struggling to structure their government to match the new realities of taxing limitations and revenue collections that are not likely to increase for years to come, he said.

"Probably the biggest mistake the commission did was pressing an agenda for restructuring and continuing to squeeze the operational budget and not being sufficiently careful about maintaining budget reserves," Rader said.

In 2008, DeKalb lost a significant portion of its tax base when the city of **Dunwoody** incorporated as the recession gathered force in the county of more than 700,000 people.

In recent years, the Georgia Legislature has clamped down on local spending by prohibiting increases in assessed property values if no improvements are made in the previous year, and requiring that foreclosures be considered in assessing the value of properties.

"What we're concerned about is how the administration can be structured differently so that we can withstand the expectation of the declining tax base over next couple of years," Rader said

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Questions?

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