NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

Recommended Best Practices in Disclosure
for Special Property Tax and Special Assessment Debt Transactions
Draft dated August 15, 2026; Comments due October 15, 2026

The National Federation of Municipal Analysts (NFMA) has been at the forefront of efforts to improve disclosure in the municipal bond market since our inception in 1983. The NFMA is a 1,200-member organization, made up primarily of research analysts representing asset managers, insurance companies, broker/dealers, bond insurers, rating agencies, and other stakeholders in the municipal market. One of the main initiatives of the NFMA is to promote timely and complete disclosure of financial and operating information needed to assess the credit quality and risk of a municipal debt issue. The NFMA's efforts have ranged from broad disclosure-related issues to more detailed, sector-specific work such as these Recommended Best Practices (RBPs) in Disclosure papers. For further information on the NFMA's continuing work in the area of disclosure, please see the "Disclosure Guidelines" and "Position Statements" pages of the organization's website at www.nfma.org.

NFMA analysts work with a broad array of stakeholders to develop RBPs in Disclosure, including municipal issuers, industry groups, bond counsel, and underwriters. Such legal disclosure requirements are based on whether information is "material" within the meaning of the federal anti-fraud laws and the RBPs should be read and applied, given that standard. We seek out municipal sector specialists to develop our best practices guidelines. RBPs are descriptions of the sector-specific financial and operating information needed to enable investors and other market participants to assess risk. The NFMA believes that the best practice in disclosure is one that provides a steady flow of timely information from borrowers to the market. Initial drafts of the RBPs in Disclosure are widely circulated, and input is then solicited from interested parties during an industry comment period. The paper is then revised to incorporate the feedback received. The NFMA understands that this RBP is not intended to be a one-size-fits-all recommendation and that all information requested may not apply to every transaction in the sector.

This paper presents the RBP in Disclosure for Special Property Tax and Special Assessment Debt Transactions, also known as "land secured" financing transactions (LSTs). This document is to be used in conjunction with, not to supplant, the guidance provided in the amendments to SEC Rule 15c2-12 (the Rule), which mandates an issuer's commitment to provide continuing disclosure of financial and operational information on an annual basis (see http://www.sec.gov/ for further information about these amendments). The NFMA's disclosure efforts are a continuous process, and the guidelines provided in this paper will be revisited and changed as market conditions warrant. We encourage interested parties to submit comments at any time to the NFMA at information@nfma.org for consideration in the development of future versions of these RBPs in Disclosure.

This RBP is not intended to be a one-size-fits-all recommendation. Certain information included herein may not apply to every transaction in the sector. Similarly, this RBP cannot predict all categories of material information which may apply to any particular transaction. Issuers, *investment bankers, financial advisors, legal counsel and other parties responsible for the disclosure process must use their professional judgment in accordance with applicable securities laws and best practices to determine what items are material for disclosure in a particular transaction.*

Finally, this RBP does not apply to tax increment financings (TIFs) and tax allocation bonds. The NFMA has previously published an RBP relating to TIFs that is available on the NFMA's website: https://www.nfma.org/.

INTRODUCTION

Overview of Special Property Tax and Special Assessment Debt Transactions

Special property tax and special assessment debt transactions have a variety of structures based on differences in state law. These transactions are referred to in this paper as land secured transactions (LSTs).

In practice, LSTs are generally "developer-driven". Developers[1] identify a parcel of land for development and then apply to a local governmental jurisdiction with authority under state law to form a special political subdivision (District) authorized by a state's law to develop and finance the necessary public infrastructure for the proposed development. In general, Districts are authorized under state law to issue bonds to pay for public infrastructure needed to support the proposed development, whether residential, commercial or industrial development or a mix thereof. Developments may involve more than one District and more than one Developer. For example, one District may undertake residential developments (single family/multi-family) and another District may undertake a retail/restaurant/entertainment development, and another District may undertake a business park. In accordance with state law and federal tax law, bond-financed costs often include land acquisition, roadways, water/sewer/stormwater and other utility systems, rough grading of land and other public infrastructure expenses (including payment of impact fees). In many cases, Developers are required to submit a fiscal impact analysis to the local governmental entity prior to beginning construction in order to evaluate the financial impact of providing services to the community.

Bonds or other debt instruments issued by a District typically are payable from and secured by ad valorem taxes (Colorado metropolitan districts and Texas municipal utility districts), special property taxes (California Mello Roos) or special assessments (Florida community development districts) levied by or on behalf of a dependent or independent District, depending on the law of the state of establishment, on taxable property in the District. LSTs may also be paid from/secured by other revenues or fund sources, such as special sales taxes, incremental sales taxes, payments in lieu of taxes and other revenues as authorized by state law and the District's debt authorization

[1] As used in this paper, "Developers" are private entities primarily responsible for carrying out the initial development of the project, such as master developers, and subsequently, specific developers/merchant builders for specific components of a project, such as single-family developments, multi-family residential projects, commercial developments, commercial/warehouse developments, retail/restaurant/mixed use developments, and light industrial developments.

documents.[2] Depending on state law, a District's ability to generate revenues to pay its debt may be limited by its voter approved authorization or by state laws such as mill levy caps, special assessment caps or other tax/assessment limitations. LSTs are most commonly used in California (Mello Roos, 1915 Act), Colorado (metropolitan districts), Florida (community development districts), and Texas (municipal utility districts, public improvement districts, and more recently, municipal utility district receivables), although debt authorizing documents can take different forms. The state-specific source(s) of funds made available to pay the debt is referred to herein as "Pledged Revenue".

In the documents authorizing an LST, the District pledges Pledged Revenue to repay its debt. The District's ability to generate Pledged Revenue from property owners located in the District is typically secured by a lien on the underlying property enforceable by a local governmental entity (such as a city or county) in the same manner as standard *ad valorem* property taxes.[3] The timing, method of collection and enforcement of Pledged Revenue vary from state to state. If a property owner does not pay property taxes or special assessments, for example, the District or sponsoring local governmental entity is typically required through a covenant in the applicable trust indenture to initiate state law processes, ranging from foreclosure proceedings to tax sales, to collect the delinquent property taxes or special assessments. Timing of collection processes varies depending on jurisdiction.

Given that, in the early stages of a transaction, the Developer owns all or a significant portion of the property in the District, initial and ongoing disclosure regarding the Developer's experience and financial resources is an integral part of the credit evaluation of any LST, especially for the initial public or private offering and through the end of construction of the development. As discussed in more detail later in this paper, as the initial Developer sells parcels of land in the District to other Developers (such as homebuilders), then additional continuing disclosure regarding the successor Developers will likely become material. Refinancings for more established Districts may not require the same level of Developer disclosure, especially where the District is fully built out.

The NFMA recognizes that the information and data needed to analyze an LST will vary from issue to issue, based upon the type of development, the status of the development (i.e., greenfield versus fully built) and the jurisdiction the development is located in. However, there is a significant amount of information and data that is relevant to nearly all LSTs that is needed by a reasonable investor to make an informed investment decision. It is the NFMA's recommendation that when providing disclosure to either the primary market or in secondary market reports, each of these disclosure areas, when applicable, be addressed in the detail recommended by this paper.

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[2] As used in this paper, "Pledged Revenue" refers to the impositions available to the District and pledged to repayment of the underlying bonds or other evidence of indebtedness, such as property taxes, special assessments, sales taxes, fees or payments in lieu of taxes and development impact fees. In general, if a stream of revenue is pledged, it should be disclosed.

[3] The District does not pledge any of its public infrastructure to repay the debt, but only Pledged Revenue generated by the property owned by the Developers or eventually the end-users such as single-family owners, multi-family apartment owners and business owners.

GUIDE TO THIS PAPER

This RBP is organized into two principal sections. The first addresses disclosure practices for primary market offering documents. The second addresses continuing disclosure practices following issuance. Each section identifies information that the NFMA believes is generally material to the evaluation of LSTs and should be considered by issuers, developers, underwriters, advisors, and other market participants when preparing disclosure documents.

PRIMARY MARKET DISCLOSURE RECOMMENDATIONS

In accordance with the applicable federal/state securities laws, the NFMA expects the initial offering document to include summaries of the relevant legal documents, information on the sources and uses of the funds, the sources of funds to repay the debt, the trustee's/bondholder's rights upon failure to pay the debt and the current socio-economic, financial and operating data relevant to the project and other material information that a reasonable investor would find important to the making of an informed investment decision.

Timing of Offering Document Delivery

The offering document should be "deemed final" as required by the Rule and should be available to potential investors at least one week before the proposed pricing date in order to provide buy-side analysts and investors adequate time to review the offering document, conduct research, pose questions to the underwriting team and formulate an internal credit view of the LST. It is critical to provide buy-side analysts, whether at large funds or smaller investors, and other market participants with time to conduct adequate due diligence on the offering.

Summary Statements in Offering Documents

To assist investors in reviewing a lengthy offering document, the NFMA recommends that each offering document include a summary section at the beginning containing the basic legal and financial attributes of the LSTs being offered. This should be in chart or summary format (with cross references to the applicable page of the offering document where more detailed information can be found), including key structural provisions such as the following: debt service reserve funds and their replenishment, the amount of capitalized interest being funded along with the duration of time such amount will cover, other trust funds and their purpose(s), additional bond limitations, financial covenants, redemption provisions, rights of acceleration, limitations on the pledge of Pledged Revenue, including time limits and rate caps, necessity of other required debt/equity to complete the development and information concerning all material Developers. We also recommend including an overview of District's development status in the opening pages of the offering document, including the number of lots by development stage (finished/semi-finished, raw land), homes under construction (or building permits issued), and numbers of occupied properties (such as number of homeowners or commercial properties).

<u>The following is a list of disclosure recommendations for offering documents</u>:

I. *<u>General Information</u>*

A. Basic terms of bonds, including principal amount, interest rates, authorized denominations, post-default rates, sinking fund schedules, redemption provisions and annual debt service requirements

B. Transfer restrictions applicable to each series of bonds

C. District description, including description of authorizing statutes, debt authorizations, board composition and affiliations, employment, terms of office, and use of third-party management companies and other consultants

D. Sources and uses of funds, including detail on reimbursements to and/or moneys owed to the Developer or the District

E. Outstanding District indebtedness, including existing annual debt service schedule per series of bonds or other obligations and post-issuance debt service broken down between parity and subordinate debt service on any other District debt

F. The development description, including total number of assessable units, top 10 largest special assessment obligors, breakdown of assessable units by land use and developed units versus undeveloped units

G. Plans for additional debt or equity needed to complete the development, with information regarding the purposes for which such additional debt or equity is required

H. If additional Developer equity is required, information regarding the commitment and source for those funds

II. *Bond Security Features*

A. Legal authority and security description, including description of local jurisdiction authorization, rate of various taxes, assessments or other Pledged Revenue to be imposed, pledge of trustee-held funds, any sunset provisions applicable to any Pledged Revenue or statutory limits on indebtedness and whether funds are intercepted by any collecting agency, including the District, before payment to trustee

B. Current mill levy, current tax rates, breakdown of operating and debt service mill levies, maximum possible levy/tax rate for each type of Pledged Revenue pledged to repay the debt

C. Type of lien granted under state law (e.g., statutory lien, UCC security interest or other state law protections on attachment and priority of trustee's interest in Pledged Revenue)

D. Tax lien priority (e.g., senior, subordinate)

E. Tax lien foreclosure process

F. Flow of funds, including description of pre- and post-default waterfalls, including use of any excess cash that flows through waterfall

G. Indenture and loan agreement (if applicable) provisions and covenants:

   1. Additional debt test, including any completion debt, additional bonds or other indebtedness, whether parity or subordinate, including information regarding priorities of any Pledged Revenue for current, past, and future debt so that investors may determine the relative priorities the offered debt, any currently outstanding debt and any future District debt may have to the Pledged Revenue
   2. Debt service reserve fund information, including funding requirement and replenishment requirements and source of funding
   3. Requirement/ability to raise tax rates to account for delinquencies, including description of timing of process for increases, if available
   4. Financial covenants, including any coverage covenants, process for collection and turnover of funds and rights to intercept funds from local jurisdictions

H. Project fund requisition process including information regarding any third-party review

I. Events of default, including payment default, cross-default provisions pertaining to other debt obligations issued by the District, failure to pay in Pledged Revenue and draws on the debt service reserve fund

J. Remedies, including rights of trustee to accelerate the bonds and/or state law acceleration provisions, to foreclose and any limitations thereon, to impose additional taxes or assessments, to obtain a receiver, whether the trustee has a lien on Pledged Revenue pre- and post-default, and any material limitations on trustee rights

K. Bankruptcy eligibility of District and information concerning availability of receivership proceedings to trustee

   1. Description of whether Pledged Revenues constitute special revenues under federal bankruptcy law

2. Impact of a local agency (city, county, school district) bankruptcy proceeding, where the local agency is the issuer of the bonds, on the Pledged Revenues

III. *Developer and Development Information*

A. General information about the developer, such as:
1. Developer description, including each Developer's historical experience with similar projects involving LSTs, each Developer's financial wherewithal to complete the project as proposed, status of any credit facilities used to finance development, including increases, reductions, changes in providers, or elimination of lien provisions
   a. If the Developer is an entity, such as a single purpose entity (SPE) with no prior history, the experience of the person(s) or parent company(ies) managing the Developer or SPE should be provided, along with a description of the material governing agreement(s), and allocation of responsibility to finance and complete the project
   b. If the Developer is an SPE, a breakdown of the owners of the SPE
   c. If the Developer is NOT an SPE, how the structure is ring-fenced from their other projects.
2. Contact information for any construction monitor or similar consultant

B. Development plans and timelines that include:
1. Plan of development, including description of the plan for development of the property with a map and/or aerial photograph of the District showing the location of debt-financed infrastructure and other planned development and expected construction timeline
2. Projected timeline for sales to merchant builders or commercial developers or other types of absorption, including lots under contract or letter of intent with merchant builders
3. Status of all material permits, licenses, environmental approvals and other third-party requirements necessary to begin construction of and to complete the development, including an expected timeline for each approval through completion if certain approvals are to be obtained in the future
4. Additional development/expansion plans, including proposed sources of financing for the additional development/expansion, if financed, whether such financing will be parity or subordinate to the offered debt, and any material changes occurring prior to the debt offering
5. Status of zoning and land use approvals for the development, including material details and restrictions for residential, commercial, industrial, etc., including a table or flowchart of approvals and timing

C. Budget and financial information relevant to the financing, such as:
1. Project budget and description, including a description of the construction necessary to complete the development (both public infrastructure and private development); pro forma financial information that shows the

sources and uses of funds to carry out the development plan; and a discussion of the financial resources available to complete the project

2. Projections of future cashflows, including expected Pledged Revenue collections with revenue breakdown by development status and property type and projected debt service coverage of all District indebtedness
3. Leverage calculations (debt/assessed value or value-to-lien)

D. Utility, infrastructure, and environmental related items that may include:

1. If relevant for new developments, disclosure of the adequacy of water and utility systems for the development including available sources of water, costs to purchase the needed water rights, and the scope and costs of providing utilities (electricity, gas, internet, etc.) needed to support the development
2. Any required offsite infrastructure improvements (such as widening of area road) or public facilities (parks, fire station, police station) that could impede full buildout of the district (i.e., building permits are limited to X until Y improvements/facilities are completed) and status of those improvements
3. Status and results of any recent studies regarding the development regarding environmental matters, soil structure, potable water availability, endangered species, land use restrictions (such as wetlands designation)
4. A summary of environmental studies covering the entirety of the District, whether Phase I or Phase II, including information concerning recognized environmental conditions affecting District property

E. Assessment methodology, valuation information, and parcel details such as:

1. Appraisals of the development "as is" and as completed, including the methodology used to determine the valuation (and, if applicable, why certain approaches were omitted); the assumptions and, if applicable, the discount rates used in the valuation approaches; how expenses over and above the debt proceeds necessary to complete the development were taken into account in the valuation; and how the various Pledged Revenue are treated in determining the value
2. Information regarding improved and unimproved parcels, including details on platted/unplatted parcels, parcels with or without vertical construction, number of parcels and/or acreage
3. Current assessed value and historic assessed value data for property in the District
4. Projected future assessed value showing growth in assessed value of District broken down by property type, including expected home prices and sizes

F. Concentration details for both the district and developer:

1. Top ten taxpayers, including percentages of revenue and of assessed value/assessment lien for these, and detailed information regarding delinquencies and foreclosure or other actions relating to "significant property owners", defined as those responsible for ten percent or more of the aggregate assessment lien or annual property tax
2. Material Developer concentration or material final owner concentration, including disclosure of going concern issues, bankruptcy, material financial

challenges, disclosure of mortgages or other leverage information associated with properties in the District and disclosure of occupancy/vacancy, lessee delinquency information, and lease termination for major lessees

a. Disclosure of any prior bankruptcies by any of the Developers and builders, including material owners of any SPE, payment defaults on any material credit facilities by any Developer or builders, including material owners of any SPE, and any material litigation or collections against any of the Developers and any builders, including material owners of any SPE

b. Disclosure of property tax delinquencies over the past five years in any LST transactions

G. Direct and overlapping debt information:

1. Direct debt secured by liens on all or a portion of the parcels in the development, including senior, parity, or subordinate LST debt
2. Overlapping debt associated with the District's share of debt issued by overlapping municipalities, counties, school districts, and so on

H. For existing developments in process, unit sales:

1. For residential nonrental developments, statistics regarding the sale of lots, distinguishing among developed, partially developed, and undeveloped lots (sometimes referred to as raw, paper or finished lots), houses, or parcels as appropriate
2. For residential rental developments, statistics regarding the leasing of units and the status of construction
3. For commercial developments, information regarding leasing by square footage or outparcel and the status of construction

I. For developments dependent on residential or commercial rental activity, disclosure of occupancy/vacancy levels, delinquency information, and lease termination dates for major lessees

J. Absorption rate studies

K. For land bank transactions, material information regarding builder deposits and scheduled option payments, funding source for all required payments, and schedule of expected lot acquisition for development

IV. *District Taxation, Valuation and Collection Information*

A. Tax rate or assessment apportionment methodology, including consultant reports on the apportionment methodology and procedures for changing tax rate/levy/assessment, minimum loan to value requirements

B. Property valuation procedures, including valuation appeal procedures and property appeal history, and any material changes thereto

C. Collection process for ad valorem taxes, special assessments and similar Pledged Revenue, including timing of installment payments and how amounts are billed and collected

D. Collection information for other types of Pledged Revenue pledged by the District (e.g., sales taxes, impact fees, etc.), including collection history, delinquent payments and recovery rates for delinquent payments for prior five years

E. For existing developments, Pledged Revenue collection history, broken down by current collections, past due collections and penalties/interest, tax lien/foreclosure sale collections, and major owners subject to delinquency/foreclosure/bankruptcy.

F. Delinquency history and trends. Delinquencies should be defined as the value of taxes/assessment outstanding based on the property tax due date and should not be adjusted for past due payments or other collections

G. Support from any property tax "make whole" provisions, such as California's Teeter Plans

H. Status of material foreclosure, tax lien sales, or other applicable remedies, along with a statement of the compliance by the District with any covenant to initiate collection of delinquent assessments or special taxes, if the District is responsible for collection and foreclosure activity

V. *District's Local Socio-Economic Conditions*

A. General local socio-economic metrics of the type typically disclosed for property tax supported obligations, such as unemployment rates, poverty rates, median household incomes, sales per capita (if relevant), foreclosure rates, and so on

B. Local property market trends, including trends in prices, sale activity, single family and commercial building permits issued by year, and mortgage delinquency/foreclosure rates

C. Commentary on the development/project's competitive position, including separate discussion of each property type currently located or to be constructed in the District

VI. *Material Litigation or Legislation Impacting District; Developer Conflicts of Interest*

A. Legal action, including information about litigation (governmental or private) which could have a material adverse effect on the District, development of the project or the Developer, including all material owners of any SPE[4]

B. Material legislation, including proposed changes to District enabling acts, property tax or special assessment collection timing or procedures, imposition or removal of limitations on taxation and other material change of residential and commercial property types to be contained in the District

C. Conflicts of interest, including a description of any agreements or understandings that would create a potential conflict of interest between each Developer, a District or any other parties that are material to the development activity and whether any directors or officers, employees or affiliates of any Developer

[4] Litigation disclosure not just related to the current LST, but against the District for any reason, or any of the Developers for any reason, or affecting any of the land in the development or any prior developments brought by material owners of the Developer, if SPE

VII. *Trustee and Bondholder Rights and Remedies*

A. Listing of Events of Default
B. Explanation of trustee/bondholder remedies allowable under the documents and State law
C. State law limitations on exercise of remedies against Districts
D. Trustee removal and appointment provisions
E. Trustee rights to Pledged Revenue during Event of Default

VIII. *Risk Management & Resiliency*

A. Property and casualty insurance coverage and premium trends in the local market
B. Flood zone designations applicable to project, with overlay map
C. Flood, earthquake, wildfire insurance requirements and availability
D. Material natural disasters occurring within the last two years
E. Details on design features or relevant laws intended to mitigate impacts of physical risks and natural disasters
F. Other resiliency plans of the District or Developer

IX. *Continuing Disclosure Obligations*

A. Continuing disclosure obligations (CDAs), including a copy of the actual continuing disclosure agreement as an appendix
B. Whether the District has engaged a third party to handle continuing disclosure responsibilities
C. Bondholder rights in connection with noncompliance with continuing disclosure obligations
D. Disclosure about which downstream Developers are required to enter into CDAs in connection with the future acquisition of land within a District
E. History of continuing disclosure agreement compliance as required by Rule 15c2-12

X. *Recommended Offering Document Appendices*

A. If not summarized, copies of each trust indenture (if senior subordinate structure)
B. If not summarized, copies of all market studies relevant to the development and apportionment methodologies where applicable
C. Copy of the site plan or other visual representation of development plan
D. If not summarized, copies of development agreements for the development
E. If not summarized, copies of all inter-district agreements where other districts are pledging revenues to pay off the offered debt
F. Copy of financial forecast, including sensitivities for repayment of bonds

CONTINUING DISCLOSURE RECOMMENDATIONS

The continuing disclosure responsibilities of Districts and Developers are addressed by the Rule and are described in CDAs as part of each bond financing. The NFMA believes that continuing disclosure for LSTs needs to be complete, robust, and timely to reflect credit characteristics and risks specific to the sector as well as the particular development or project. The NFMA encourages the use of the Municipal Securities Rulemaking Board's EMMA® portal for all disclosure. If a District also chooses to maintain a website to provide information to its residents or constituents, that website should not be a substitute for disclosure posting to EMMA.

It is the NFMA's recommendation that all disclosure obligations be contained in CDAs and not split between CDAs and indentures or loan agreements, as has been the recent trend in a number of sectors.

Many CDAs and indentures specify that failure to provide continuing disclosure is not an event of default under the applicable financing documents. Similarly, upon failure to comply with disclosure obligations, many CDAs limit bondholder enforcement rights to costly and slow specific enforcement or mandamus litigation, effectively making a CDA unenforceable should an obligated person fail to comply. Given the importance of continuing disclosure to investors, a trustee, at the direction of 25% of bondholders, should be able to directly enforce any failure to provide required disclosures through a covenant default subject to prior written notice and an up to sixty-day opportunity to cure. Historic limitations on bondholder enforcement of CDAs should be abandoned.

Finally, given the nature of LSTs and the need for information with respect to these types of transactions, the NFMA recommends that Districts and Developers enter into CDAs, even if the transaction fits within an exemption from reporting under the Rule.

Background

In any LST, it is critical for there to be a clear delineation between District and Developer continuing disclosure responsibilities. The NFMA believes that during the early development phase and construction period, continuing disclosure regarding the Developer is critical to tracking the development of the project, as well as monitoring the financial health of the Developer. Similarly, as the principal Developer engages in bulk sales of unplatted parcels of land or multiple platted lots for further development to other Developers, such as merchant home builders or commercial operators of office buildings or grocery stores, then, as noted above, clear, enforceable obligations must exist to require those downstream Developers or end users to provide continuing disclosure, in accordance with the Rule, until those interests are extinguished or no longer material.

Therefore, in general, this NFMA RBP recommends having two CDAs in new construction financings, one from the District and a second from the Developer. For refinancings of Districts that are fully developed, Developer disclosure may no longer be material.

As bonds are obligations of a District, it is the District's primary responsibility to ensure timely continuing disclosure is provided. The NFMA is also aware that many Districts have limited or no staff. However, it remains the District's responsibility to disclose what third party will be handling continuing disclosure (such as a District manager or dissemination agent), whether sufficient funding will be available to pay for the ongoing disclosure and whether bondholders can remove the third party for noncompliance with ongoing disclosure requirements. As part of that obligation, the NFMA also recommends that Districts require Developers to enter into legally binding obligation with subsequent Developers that are responsible for twenty percent (20%) or more of the Pledged Revenue, said CDAs should require those downstream Developers to provide the same disclosure for the relevant portion of the District until further conveyances to end users who account for less than twenty percent (20%) of the District's revenue are closed.

The following is a list of disclosure recommendations for continuing disclosure:

I. *General Continuing Disclosure Concepts*

A. Continuing disclosure responsibilities should always be required for both Districts and Developers, and reliance on any limited offering exemption under the Rule is not considered best practice
B. All disclosures should be made through the use of the MSRB's EMMA website (available at https://emma.msrb.org/)
C. Dissemination agents should be used if Districts have limited staff
D. Audited financial statements should be posted to EMMA within four months of the District's fiscal year end, or as early as available
E. Audited financial statements should be prepared in accordance with generally accepted accounting principles
F. Quarterly reporting during the construction period is expected, and all required information should be posted to EMMA within forty-five days of fiscal quarter end
G. Quarterly reporting should be provided for all four fiscal quarters of each fiscal year, including the final quarter of the fiscal year, and should include both current quarter activity as well as information for the District's fiscal year-to-date
H. Trustees or bondholders should have more effective and less costly enforcement mechanisms, as discussed above

II. *Content of District Continuing Disclosure Agreements*

The NFMA recommends that Districts in Developer-driven transactions enter into a CDA that complies with the Rule (whether or not the Rule is applicable to an offering) requiring robust annual disclosure along with semiannual update information providing limited, easily accessible data as collections are received. If a District is leading construction of a project without a Developer, then the contents under the heading "Content of Developer Continuing Disclosure Agreements" should be incorporated on a quarterly basis.

A. Annual Disclosure[5]
    1. Audited financial statements of the District, including:
        a. The amount of Pledged Revenue levied and actually collected
        b. The amounts received by the District from the collection of delinquent Pledged Revenue, if any, including the amount of assessment delinquencies greater than one hundred fifty (150) days and, in the event that such delinquencies amount to more than five percent (5%) of the Pledged Revenue due in any year, a list of material delinquent property owners
        c. The total amount of debt outstanding, including parity debt, subordinate debt, bank loans and other material indebtedness
        d. Information regarding District compliance with financial covenants, whether for the offered debt or any other material debt of the District
    2. A description of any material changes ability to the maximum tax rate or the ability to raise tax rates to account for delinquencies, including timing of process for increases, if applicable
    3. Any changes to how the taxing jurisdiction calculates or collects Pledged Revenue
    4. Breakout of percent of taxes/assessments paid from developed versus undeveloped parcels
    5. Information regarding top ten taxpayers, including percentages of revenue and of assessed value, and type of property (e.g., residential, commercial, industrial, retail or other)
    6. District incurrence of additional parity or subordinate indebtedness during the reporting period, whether long-term or short-term, including the principal amount thereof, interest rate, repayment terms, and any material covenants included in such financing, including covenants that may afford creditors' rights senior to or otherwise ahead of those afforded to the trustee for the bonds
    7. Information regarding related and overlapping debt, including outstanding parity or subordinate debt, other land secured debt secured by liens on all or a portion of the parcels included in the project in question (in instances when different Districts may overlap), and share of debt issued by overlapping municipalities, counties, school districts, and so on
    8. Any change in membership of the board of directors of the District or District Manager
    9. If not included in audited financial statements, disclosure of any material litigation affecting the District
    10. All fund balances in all funds and accounts held by the trustee for the LST under the related trust indenture[6]
    11. For "fixed lien" assessment deals:
        a. Updated assessed values for the district with value-to-lien calculation

[5] To the extent the following information is contained in audited financial statements of the District in the applicable jurisdiction, separate disclosure is not recommended.

[6] The NFMA recommends that District CDAs or indentures authorize the Trustee, upon written request from a bondholder or market participant, to provide with this information more frequently than annually and, in such case, shall provide such information within thirty (30) days of the written request of the bondholder or market participant

b. The number of assessable units planned for property in the District
c. The number of platted assessable units in the District owned by the Developer

B. Semiannual Disclosure (i.e. construction period disclosure)
1. All fund balances in all funds and accounts held by the trustee for the LST under the related trust indenture or authorizing document, together with a history of project funds spent and narrative description of expenditures made
2. Stated amount and issuer of any LOCs related to the initial transaction (some California CFD issuers require the developer/builder to post an LOC with the trustee to cover a year of special taxes on its land up to a certain threshold of development)
3. Narrative description of construction delays or other material issues with any Developer and inter-governmental agreements or counterparty performance, and status of corrective action

III. *Content of Developer Continuing Disclosure Agreements*

The NFMA recommends that Developer CDAs include the following disclosure requirements. As discussed above, Developer CDAs should include clear standards for when the obligations terminate as the Development is fully built, along with clear standards for assumption of disclosure obligations by downstream Developers or material owners of real property within the District. To the extent the Rule requires disclosure of information contained in the offering document in a different format than as set forth below, the requirements of the Rule govern, so long as the content set forth below is included, to the extent applicable to a District.

A. Quarterly Developer Disclosure Requirements
1. Construction progress reports, including, to the extent material:
   a. A narrative description of the infrastructure improvements in the District that have been completed and that are currently under construction, including infrastructure financed by the bonds
   b. Narrative description of or rolling chart depicting percentage of public and private construction completion by type of construction (water, sewer, storm water, electric/gas utilities, bridges, and any project work external to the District needed to support the Development, such as new roads, bridges and interchanges
   c. The number of building permits and certificates of occupancy for the development for the last quarter and since closing of the LST presented in rolling table format by product type
   d. Percentage of construction funds spent and clear information regarding the sufficiency of funds available to complete the development, including contingency fund balances
   e. Narrative description describing significant budget variances and construction delays
2. Material changes to the plan of development and the reasons therefor, including:

a. An updated description of the plan for development of the property with a map and/or aerial photograph of the District showing changes

b. A narrative discussion of additional development plans, including annexation/expansion and sources of financing for the additional development, whether parity or subordinate, and any change to/abandonment of any of the foregoing

3. Unit sales information for residential development and updates related to other property classifications, including:

a. Residential sales of lots, distinguishing among developed, partially developed, and undeveloped lots (sometimes referred to as raw, paper or finished lots), houses, or parcels as appropriate, including type of purchaser (i.e., is Developer selling to downstream builder)

b. For commercial developments, a description of the use of each material building (e.g., retail, industrial, etc.) and the number of square feet

c. For multifamily developments, the number of residential units, including any commercial square feet, if multipurpose

d. Any material leases for commercial space, and the terms of the leases and the identity of material tenants

4. Material Developer updates, such as:

a. Whether the Developer has made any bulk sale of the land subject to the Pledged Revenue other than as contemplated by the offering document

b. Material Developer concentration or material final owner concentration, including disclosure of going concern issues, bankruptcy, material financial challenges, disclosure of mortgages or other leverage information associated with properties in the District and disclosure of occupancy/vacancy, lessee delinquency information, and lease termination for major lessees

c. Status of completed and anticipated land approvals if not complete at time of offering. If applicable, any material adverse changes or determinations to approvals which necessitate changes to the planned development, as previously disclosed

d. If the development is experiencing material cost overruns or changes to project scope requiring additional funding not provided by the LST, provide an updated plan of finance for completion of project, including new or modified requirements for additional debt, if material, unscheduled draws on Developer credit facilities, additional mortgage debt, and so on

e. Updated status of any private construction loans for the development, including principal amount outstanding, years to maturity and whether such loans are in good standing or in default

f. Any event that would have a material adverse impact on the implementation of the development as described in the offering document or on the Developer's ability to undertake the development as described in the offering document

g. Disclosure of any material litigation affecting the Developer's ability to complete the development

h. Notice regarding termination of Developer's obligations under the CDA, including supporting information regarding eligibility for termination of Developer's obligations under the CDA

i. Information regarding entry into a CDA by a downstream Developer, with a copy or summary thereof

5. If the bonds are supported by special assessments:

   a. Any change to the number or type of assessable units planned to be developed in the District by the Developer

   b. The number and type of assessable units Developer has under construction and has completed in the District, and the current estimated date of complete build-out of assessable units in the District owned by the Developer

   c. The number of assessable units Developer has under contract with builders or other Developers, and the name of such builder or other Developer

   d. The number of assessable units Developer has under contract with retail end-users in the District and statistics on closings for last quarter and cumulative using rolling quarterly chart

IV. *Investor Conference Calls*

During the construction phase of the development, Developers should be prepared to host conference calls in which a Developer representative responsible for the build out of the District discusses historical results and the current status of the District. Frequency and timing of such calls will need to be negotiated between potential bond purchasers, the investment banker, and the District (and Developer) prior to closing of an LST. In general, the NFMA recommends at least an annual call for investment grade–rated LSTs, semi-annual calls for BB or BB+ LSTs, and quarterly for weaker and/or non-rated Districts. In addition, Districts that encounter financial difficulties should be prepared to speak with investors and investment bankers more frequently, at least monthly. The bond documents and CDAs should include provisions requiring the District and/or Developer to schedule investor calls more frequently, if requested to do so by at least 25% of bondholders or by the investment banker.

Notices of impending calls should be posted to EMMA and all calls should be recorded, with subsequent playback information also posted to EMMA. Typically, a recording needs to be made available for replay for only thirty days.