



City of El Paso

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Post-Issuance Compliance Policy  
May 2022

Prepared by:  
Office of the Comptroller



The mission of the Office of the Comptroller is to provide fiscal management and financial reporting, administer treasury services and provide grant accounting information to City Management and elected officials so that they can make informed decisions regarding the provisions of City services.

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## 1. **PURPOSE:**

The purpose of this post-issuance compliance policy and procedure manual is to adopt policies and procedures to guide the City of El Paso (the City) in meeting the requirements of the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations (collectively, the "Tax Code") concerning tax-exempt and tax-advantaged debt ("TE Debt Issuances"), as well as continuing disclosure requirements described in the United States Securities and Exchange Commission Rule 15(c) 2-12, as amended (the "Rule"), and other covenants and related obligations of the City concerning all outstanding issuances of debt. Non-compliance with the Tax Code may result in fines and/or loss of the preferential status of the debt issuances.

## 2. **COMPLIANCE OFFICER:**

The Chief Financial Officer (CFO) as the designated compliance officer (the "Compliance Officer") under this policy shall be the person primarily responsible for ensuring that the City successfully carries out its post-issuance compliance requirements under applicable provisions of the Rule and the Tax Code with regard to all TE Debt Issuances of the City. The Compliance Officer shall be assisted by other City staff when appropriate. The Compliance Officer will also be assisted in carrying out post-issuance compliance requirements by contracted entities including Bond Counsel, Financial Advisor, Arbitrage Consultant, and/or other consultants deemed necessary.

The Compliance Officer shall be responsible for assigning post-issuance compliance responsibilities to other City staff, Bond Counsel, the Financial Advisor and the Arbitrage Consultant. The Compliance Officer shall utilize such other professional service organizations as are necessary to ensure compliance with the post-issuance compliance requirements of the City.

## 3. **GENERAL OVERVIEW OF ARBITRAGE, YIELD RESTRICTION AND REBATE REQUIREMENTS**

### Overview

The purpose of this section is to introduce the concept of arbitrage and its requirements. There are exceptions to many of the arbitrage rules. Advice from the City's Arbitrage Consultant and/or Bond Counsel is strongly recommended before any action is taken. Under the Compliance Officer's direction, Office of the Comptroller should establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. Arbitrage calculations should be completed by an independent firm every year for all tax-exempt or tax-advantage debt issues to ensure rebate payments if any are remitted to the federal government in a timely manner.

It is the responsibility of the capital improvement department or any other user department for which bonds proceeds have been issued to use the bond proceeds according to the purpose of the bonds and to provide sufficient backup to substantiate payments made with bond proceeds. Office of the Comptroller will ensure proper reporting of the uses and sources of bond proceeds and will provide proper accounting records for arbitrage calculation. The following information should be considered by the City in regard to Arbitrage and Yield Restriction rules:

### Definition

Arbitrage is the price differential, or profit made, from investing inherently lower yielding debt issuance proceeds in higher yielding taxable investments. In other words, arbitrage is the difference between the yield on an issuer's debt issuance and the investment income earned on the proceeds invested in taxable instruments. Arbitrage rebate refers to the positive or negative amount that must be paid (rebated) to the federal government.

<b>Debt Yield</b>	<b>Overall Investment Yield for Gross Proceeds</b>	<b>Result</b>
4.0%	5.0%	<i>Positive Arbitrage</i>
5.0%	5.0%	<i>No Arbitrage</i>
6.0%	5.0%	<i>Negative Arbitrage</i>

**A. Areas of arbitrage compliance that must be addressed:**

1. The arbitrage rebate requirements identify what must be done with any arbitrage (profits or earnings) above the debt issuance’s yield earned on the investment of the gross proceeds of the debt issuance. Arbitrage on gross proceeds must be rebated to the federal government every five years after the date of issuance (or earlier if elected) through and including the final maturity (“filing date”).
2. The yield restriction requirements set forth various investment yield limitation conditions for different categories of gross proceeds from a debt issuance (e.g., construction, refunding escrow, debt service, and reserve funds). The issuer should meet these various yield restriction conditions to avoid compromising the tax-exempt or tax-advantaged status of the debt issuance. Since the yield restriction requirements are specific to a debt issuance it is recommended that the City consult with the Arbitrage Consultant and/or Bond Counsel to determine the specific yield restriction requirements on a per debt issuance basis.

**Construction Fund:** In order to avoid potential classification as a taxable “hedge bond,” at least 85% or more of the bond proceeds must be spent within three years of the bond issuance. In addition to this expenditure requirement, if there are unexpended project/construction proceeds at the end of the initial 3-year temporary period in excess of the **minor portion** (the lesser of \$100,000 or 5% of the sale proceeds of the debt issuance), an issuer may no longer invest the remaining proceeds above the bond yield, taking into account permitted “yield reduction payments” as determined by the City’s Arbitrage Consultant.

**B. Purpose of the Tax Code regarding arbitrage:**

The Tax Code was put into place to minimize the benefits of investing tax-exempt or tax-advantaged debt proceeds, thus encouraging expenditures for the governmental purpose of the debt issuance and to remove the incentive to:

1. Issue debt earlier than needed,
2. Leave debt outstanding longer than necessary, and/or
3. Issue more debt than necessary for a governmental purpose.

### C. Type of debt issuances and funds subject to arbitrage compliance:

1. As of 8/31/1986, governmental debt issuances are subject to arbitrage compliance.
2. The following funds and proceeds of a debt issuance are defined as **Gross Proceeds** of a debt issuance:
  - a. Capital project funds
  - b. Debt service funds
  - c. Reserve funds
  - d. Transferred proceeds (if an old debt issuance has been refunded by a new debt issuance and the old debt issuance has unspent funds, such funds may transfer to the new debt issuance)

**Note of Concern:** An often misunderstood concept is that monies received upon closing of a debt issuance are the only monies subject to arbitrage rebate. One of the most common funds found to be subject to arbitrage rebate that is not funded from debt issuance proceeds is the debt service fund. The debt service fund receives a majority of its funding from tax or use revenues. The debt service fund is required to be included in the arbitrage rebate calculation unless the fund balance is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of:

- a. The earnings on the fund for the immediately preceding bond year; **or**
- b. One-twelfth of the principal and interest payments on the Debt Issuance for the immediately preceding bond year.

### D. Exceptions to the rebate requirements:

The Tax Code sets forth general arbitrage and rebate requirements for debt issuances. The general rule is that any arbitrage earned must be determined and reported to the federal government every fifth anniversary date after the date of issuance of the debt issuance and on the final maturity, or as elected. Arbitrage rebate is essentially 100% of investment earnings in excess of the debt issuance's yield. There are several exceptions to the arbitrage and rebate requirements, and if any one of these exceptions are met, all or a portion of the debt issuance's proceeds are not subject to the arbitrage and rebate requirements. The City consults with an Arbitrage Consultant and/or Bond Counsel to determine if the debt issuance is eligible for a particular exception, to establish the appropriate investment plan for the debt issuance proceeds, and to assess whether the exception requirements were met. Below are descriptions of the various exceptions:

1. **6-month spending exception:** If all gross proceeds and actual interest earnings are spent within 6-months after issuance, the interest earned during that period is not subject to the rebate requirements. Intermediate expenditure requirements are necessary (95% by 6 months and 100% within 12 months).

If there are unspent proceeds remaining at the end of the 6-month period, an issuer may still qualify for the spending exception under the following condition:

- a. If the remaining amount is 5% or less and is spent within 6 months from the end of the 6-month spending date.
2. **18-month spending exception:** If a debt issuance *does not* qualify as a construction issuance (75% of the debt issuance actually spent on construction) then the debt issuance is eligible for the 18-month spending exception, but *not* the 2-year spending exception. If all gross proceeds and expected interest earnings for the 6-month and 12-month period and actual interest for the 18-month period is spent within 18-months according to a strict timetable, the interest earned

during that period is not subject to the rebate requirements. Intermediate expenditure requirements are necessary (at least 15% by 6 months, 60% by 12 months, 100% by 18 months).

If there are unspent proceeds remaining at the end of the 18-month period, an issuer may still qualify for the spending exception under the following conditions:

- a. A reasonable retainage amount of 5% or less is allowed for business purposes and the retainage is spent within 12 months from the end of the 18-month spending date, **or**;
  - b. If the remaining amount does not exceed the lesser of \$250,000 or 3% of the issue price and due diligence is exercised to complete the project and spend the remaining project/construction proceeds.
3. **2-year spending exception:** If a debt issuance qualifies as a construction issuance (75% of the debt issuance is actually spent on construction) and all gross proceeds and expected interest earnings for the 6-month, 12-month, and 18-month period and actual interest for the 24-month period are spent within 2 years according to a strict timetable, then interest earned during that period is not subject to the rebate requirements. Intermediate expenditure requirements are necessary (at least 10% by 6 months, 45% by 12 months, 75% by 18 months and 100% by 2-years).

If there are unspent project/construction proceeds remaining at the end of the 2-year period, an issuer may still qualify for the spending exception under the following conditions:

- a. A reasonable retainage amount of 5% or less is allowed for business purposes and the retainage is spent within 12 months from the end of the 2-year spending date, **or**;
- b. If the remaining amount does not exceed the lesser of \$250,000 or 3% of the issue price and due diligence is exercised to complete the project and spend the remaining project/construction proceeds.

4. **CONTINUING DISCLOSURE:** The City will comply with its contractual continuing disclosure undertakings (CDUs) entered into in accordance with Rule 15(c) 2-12 of the Securities and Exchange Commission by timely filing with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) System (a) an annual report and annual financial information, including audited financial statements if and when available, (Annual Report) and (b) notices of events specified in the CDUs (Reportable Events). The City may also employ the services of firms that improve the availability of or supplement the City's EMMA filings.

Continuing disclosures undertaking involves identifying the following:

- a. The date by which the Annual Report must be filed. The City must file the Annual Report by the last day of February of each year.
- b. The contents that need to be included in the Annual Report. The required contents are described in the CDUs. The City hires a Financial Advisor to complete and submit this report to EMMA. The Compliance Officer should receive confirmation from the City's Financial Advisor or City staff that each Annual Report includes all required information.
- c. Reportable Events, as they occur; what must be included in notices that must be filed and that are required to be filed; and the date by which notices must be made (not more than 10 business days after the Reportable Event). Reportable Events are described in Exhibit A to this policy. The CFO as Compliance Officer should evaluate each potential Reportable Event as it occurs, ask department heads to report potential Reportable Events to the Compliance Officer, and periodically remind them of that duty. The City hires a Financial Advisor to complete and submit notices to EMMA when an event takes place.

The City works closely with the Financial Advisor to ensure notice of the occurrence of a Reportable Event is timely and properly reported to EMMA.

- d. The format in, and accompanying identifying information with, which filings must be made, which are as prescribed by the MSRB and described in its EMMA instructions.
- e. Whether Annual Reports or notices of Reportable Events contain any misstatement or misleading omission of a material fact, taking into account cautionary statement included in them. The CFO will oversee diligence measures for each filing comparable to those required for the City's securities offerings.

Prior to the date by which the Annual Report must be submitted to EMMA, the City will complete the Annual Comprehensive Financial Report and obtain the opinion letter from the external auditors.

The City will work with the Financial Advisor to complete all other tables and relevant information as required by the continuing disclosure report. The Financial Advisor will submit all information to EMMA and notify the City when this is completed.

The CFO should seek advice from the City's bond counsel when uncertain about whether an event is a Reportable Event (e.g., whether it is material, if applicable) or the information that must be contained in notice of a Reportable Event as well as whether filings contain any misstatement or misleading omission of a material fact.

- 5. COMPLIANCE WITH OTHER BOND COVENANTS:** In addition of financial disclosure and arbitrage compliance, once the bonds are issued, the Compliance Officer or his designee is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- a. Annual appropriation of revenues to meet debt service payments
- b. Taxes/fees are levied and collected where applicable
- c. Timely transfer of debt service payments to the trustee or paying agent
- d. Compliance with other bond covenants

**6. DUE DILIGENCE REVIEW AT REGULAR INTERVALS**

This policy and its related procedures start with a review of the due diligence measures that will take place at regular intervals, as well as each filing date to ensure that each debt issuance is compliant with the requirements of the Tax Code or the Rule. The City will complete the annual due diligence review with respect to (i) the Annual Report to be filed in accordance with its CDUs no later than February 25 of each year and (ii) TE Debt Issuances every April.

**7. IDENTIFYING ADDITIONAL RESPONSIBLE EMPLOYEES**

The Compliance Officer is primarily responsible for the administration of this policy. The Office of the Comptroller will assist with the annual due diligence review for all debt issuances.

**8. RETENTION OF ADEQUATE RECORDS TO SUBSTANTIATE COMPLIANCE**

**A. General overview**

- 1. **Debt not refunded:** Currently the IRS record retention requirements are to keep all records, data and documents associated with non-refunded debt issuances for three years past the final maturity date for the debt issuance (or longer if required by local or state law.)
- 2. **Refunded debt:** Since the refunding debt issuance (new debt issuance) is dependent on the tax-exempt or tax-advantaged status of the refunded debt issuance (old debt issuance), all records



are required to be maintained for three years past the final maturity of both debt issuances (or longer if required by local or state law).

3. **Electronic data storage requirements:** Electronic records may be stored in an electronic format in lieu of hard copies if certain requirements are satisfied, for example:

- a. The system must ensure an accurate and complete transfer of the hard copy books and records to the electronic storage system and contain a retrieval system that indexes, stores, preserves, retrieves and reproduces all transferred information.
- b. The system must include reasonable controls and quality assurance programs.
- c. The information maintained in the system must be cross-referenced with the books and records in a manner that provides an audit trail to the source documents.
- d. Upon request by the IRS, a complete description of the electronic storage system, including all procedures relating to its use and the indexing system must be provided.
- e. Upon request by the IRS, the issuer must retrieve and reproduce hard copies of all electronically stored records.
- f. The system must not be subject to any agreement that would limit the IRS' access to the use of the system.

**B. Electronic file storage and backup:** Financial/accounting transactions will be retained in PeopleSoft and will be backed up by the IT Department. Access will be restricted to persons authorized by the Compliance Officer.

**C. Storage of hard copies:** A storage box will be labeled with a listing of all debt issuances contained inside. The storage box will contain the documents mentioned in Section E below for each issuance. Access will be restricted to persons authorized by the Compliance Officer.

**D. Destruction of records:** A log will be kept of all debt issuances whose records are destroyed after the IRS mandated retention period detailing the debt issuance description, allowable destruction date, date records were destroyed, the Compliance Officer's signature authorizing the record destruction, and witness signature. Access to this information will be restricted as authorized by the Compliance Officer and stored at City Hall Office of the Comptroller.

**E. Required information to be stored for each debt issuance**

1. **Documents:** All resolutions (including reimbursement resolutions) and minutes pertaining to the projects financed if not included in the bond Transcript. Bond Counsel shall send a Transcript for the debt issuance to the CFO. If a Transcript was not compiled, then copies of the following documents will be forwarded or made available to the CFO's office:

- a. Bond Counsel Opinion
- b. Final Official Statement or Private Placement Memorandum
- c. Insurance Documents, if applicable
- d. Council Certificate for Ordinance
- e. Copy of Ordinance Authorizing Debt Issuance
- f. IRS Form 8038-G, Form 8038-GC, Form 8038, Form 8308-TC or Form 8038-B, as applicable
- g. CPA Verification Report (for refunding debt issuances only), if applicable
- h. Non-Arbitrage Tax Certificate or similar document, if applicable
- i. All Debt Service Schedules not included in the Official Statement
- j. Letter of Credit Agreement (generally for variable rate debt issuances only), if applicable
- k. Swap Agreement (generally for variable rate debt issuances only), if applicable
- l. Winning Bid Forms, if a competitive bid
- m. Trust Indenture, if applicable
- n. Investment Banker's Closing Memorandum

- o. Investment Banker's Notice of Delivery Memorandum
- p. Investment Banker's Sources and Uses of Funds Memorandum

**2. Reports completed after issuance if applicable**

- a. Rebate calculation reports
- b. Yield restriction reports
- c. Spending exception reports
- d. Penalty in lieu of rebate reports
- e. CPA verification report for restructuring of escrow
- f. Payment documentation to include:
  - i. Form 8038-T
  - ii. Cancelled check
  - iii. Proof of mailing
- g. Refund claims
- h. Other reports related to the Debt Issuance

**3. Correspondence**

- a. Bond Counsel
- b. Board Meetings
- c. Financial Advisor
- d. Arbitrage Consultant
- e. Underwriter
- f. Investment Firms
- g. Other correspondence concerning any other aspect of the debt issuance to include but not limited to expenditures, investments, allowable projects, etc.

**4. Investment activity:** Trust statements (or equivalent) with detailed investment activity for the entire computation period for each fund/account in which gross proceeds of the debt issuance were held. Investment information must be recorded on a daily transactional level. This information is required to compute the yield on the investments and to comply with archive requirements. Investment activity details should include such items as:

- a. General ledgers
- b. Subsidiary ledgers
- c. Investment statements (state pools, bank statements, etc.)
- d. Type of investment
- e. Date of purchase and purchase price
- f. Interest rate
- g. Interest payment amounts
- h. Maturity date
- i. Interest payment dates
- j. Interest calculation methodology
- k. Date of sale and sales price

**5. Expenditure information:** The Capital Improvement Department (CID) or department using the bond proceeds will capture expenditure information. The following expenditure information must be captured and stored in accordance with the above mentioned record retention requirements to include:

- a. Description of expenditure
- b. Date of expenditure
- c. Amount of expenditure
- d. Invoices

- e. Proof of payment (canceled check, wire information, etc.)
6. **Initial letter of credit information to include:**
- a. Payment amounts
  - b. Date of payment
  - c. Terms
7. **Actual letter of credit information to include:**
- a. Actual amount paid
  - b. Actual date payment is made
  - c. Invoices
  - d. Statements
8. **Allocation of gross proceeds to expenditures:** Any allocation of gross proceeds to expenditures must involve a current outlay of cash for the governmental purpose of the debt issuance. A current outlay of cash is an outlay reasonably expected to occur within five banking days after the date of an allocation. If expenditure is paid by check, the outlay is the date the check is mailed, provided that it is expected to be cashed in five days.
- a. **Allocation:** The first in, first out (FIFO) method permits the City to put the proceeds of more than one debt issuance into a single account (commingle) and treat all expenditures as coming from proceeds of the first debt issuance until they are fully spent.
  - b. **Timing:** An issuer must account for the allocation of proceeds to expenditures not more than 18 months after the later of: the date the expenditure is paid or the date the project, if any, that is financed by the debt issuance is placed in service. This allocation must be made in any event by the date 60 days after the fifth anniversary of the issuance date or the date 60 days after the retirement of the debt issuance, if earlier. This paragraph applies to debt issuances issued on or after May 16, 1997.
9. **Allocation of investments in a commingled investment fund:** Investment earnings on bond proceeds are allocated into each capital project fund in accordance to the percentage contributed into the commingled investment fund. A commingled fund is defined as any fund or account that contains both bond proceeds and any amount in excess of \$25,000 that are not gross proceeds of the bond issue. The City allocates investment earnings on a monthly basis. The City Council has the authority to determine the usage of the investment earnings to pay debt service or to be spent in approved capital projects of the same nature of those covered by the bond proceeds.
10. **Qualified use of proceeds, financed property, private business use:** The qualified use of proceeds, property financed, and private business use limitations by the debt issuance should be identified and continually monitored to ensure compliance with the limitations as defined in the debt issuance documents or if more restrictive, state law or the Tax Code's limitations. Supporting documentation is required to support qualified use of proceeds, property financed, and private business use. As a general rule, property financed with tax-exempt or tax-advantaged bonds must be owned, operated and managed by the city or another state or local governmental entity, with limited exceptions. Consequently, the sale or lease of a bond-financed property to a non-governmental entity may cause the bonds to become taxable. In addition, there are detailed IRS rules on permitted terms for a management agreement for bond-financed property with a private entity. For purpose of these rules, the federal government is treated as a private entity. The Compliance Officer, in consultation with Bond Counsel, will ensure such limitations are in



<b>A. GENERAL OVERVIEW OF ARBITRAGE, YIELD RESTRICTION AND REBATE REQUIREMENTS</b>	<b>Yes/No</b>	<b>Responsibility</b>
<b>1. Debt Facts</b>		
a. Has a debt listing been prepared identifying all debt issuances issued on and after August 31, 1986? Include the following facts: i. Debt issuance description ii. Date of issuance iii. Maturity date iv. Subjectivity to arbitrage rebate v. Subjectivity to project fund yield restriction		
<b>2. Debt Issuances that are Subject to Arbitrage Rebate</b>		
a. Have arbitrage reports been completed for each filing date?		
<b>3. Debt Issuances Subject to Project Fund Yield Restriction</b>		
a. Have all project proceeds been spent before the end of the three year temporary period for each debt issuance? If no, proceed with questions 3.b. and 3.c. below.		
b. Have yield restriction calculations been completed for all filing dates until the project monies were spent below the minor portion? If no, provide the following information on Schedule A: i. End date of temporary period ii. Balance remaining on temporary period end date iii. Balance remaining as date of the review (if known) iv. Explanation of compliance measures taken		
c. Have at least 85% or more of the project proceeds been spent before the end of the three year temporary period: If no, consult with Bond Counsel on appropriate action.		

<b>B. TRAINING OF COMPLIANCE OFFICER AND OTHER RESPONSIBLE PARTIES</b>	
Provide the following information for training sessions attended since the last due diligence review.	
Name(s) of Attendees:	_____
Name of Program:	_____
Program Provider's Organization:	_____
Date of Training:	_____
Hours of Training:	_____

<b>C. RETENTION OF ADEQUATE RECORDS</b>	<b>Yes/No</b>	<b>Responsibility</b>
<b>1. Retention of Adequate Records in Adherence to Policy Manual Guidelines</b>		
a. Electronic data storage requirements met?		
b. Electronic file storage and backup requirements met?		
c. Storage of hard copy requirements met?		
d. Destruction of records requirements met?		
e. Document data storage requirements met?		
f. Report storage requirements met?		
g. Correspondence storage requirements met?		
<b>2. Recording of Financial Transactions in Adherence to Policy Manual Guidelines</b>		
a. Investment activity recording requirements met?		
b. Expenditure activity recording requirements met?		
c. Allocation of gross proceeds to expenditure requirements met?		
<b>3. Qualified Use of Proceeds, Financed Property, Private Business Use</b>		
a. Have proceeds been properly spent on allowable uses?		
b. Has the financed property been used in accordance with the allowable uses including Private Business Use limitations?		
c. Have there been any sales, leases, or management contracts of the financed property with private entities or the federal government?		
<b>4. Fair Market Value of Investments</b>		
a. Have all investments purchased since the last due diligence review qualified under the safe harbor rules for purchasing investments at fair market value?		
<b>5. Continuing Disclosure</b>		
a. Has an Annual Report been filed with the content, by the time, in the form, and with the identifying information required by the CDU for each debt issuance?		
b. Have any Reportable Events occurred in the prior 12 months?		
c. Have notices of such Reportable Events been timely filed in accordance with the CDUs?		

<b>Schedule A (Exceptions and Explanations)</b>



## **12. POST ISSUANCE COMPLIANCE POLICY REVIEW**

This Post Issuance Compliance Policy shall be reviewed at least biennially by the Compliance Officer or his designee.



## Exhibit A

### REPORTABLE EVENTS

Reportable Events are any of the following events with respect to the securities described in any CDU:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
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, the issuance by the IRS 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 tax status of the securities, or other material events affecting the tax status of the securities;
7. Modifications to rights of holders of the securities, if material;
8. Calls of the securities for redemption, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, 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 actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect the holders of the City, if material;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties; and
17. Any failure by the City to provide a complete Annual Report to EMMA by the time required by the CDUs.

For these purposes, (i) any event described in paragraph 12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding

under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (ii) "*financial obligation*" as used in paragraphs 15 and 16 means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of a debt obligation or any such derivative instrument, except that "*financial obligation*" excludes municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.