

Public Invitation to Comment on Tennessee State Funding Board Guidelines

The Office of the Comptroller of the Treasury, on behalf of the [Tennessee State Funding Board](#), is seeking comment on guidelines related to disclosure for financial obligations and events of default by public entities. This disclosure is required pursuant to Public Chapter No. 6, Acts of 2019.

[Proposed Guidelines for SEC Disclosures of Financial Obligations and Events of Default by Public Entities \(the “Guidelines”\)](#)

Comments on the proposed Guidelines should be sent by e-mail to state.local.finance@cot.tn.gov or by mail to:

Tennessee State Funding Board
Attn: Ms. Ann V. Butterworth, Assistant Secretary
Comptroller of the Treasury
425 Fifth Avenue North
Nashville, TN 37243

Please include in the subject line that the comments are related to the Guidelines.

At the State Funding Board’s meeting that was held on April 11, 2019, the Board directed that the proposed Guidelines be issued for public comment for at least 30 days. Therefore, any **comments should be submitted by end of business, Monday, June 17, 2019.**

The Comptroller will present the comments to the State Funding Board for review and consideration at a meeting following the close of the comment period.

Questions may be addressed to Ann Butterworth at ann.butterworth@cot.tn.gov or (615) 401-7910.

Media contact: John Dunn, Public Information Officer, (615) 401-7755 or john.dunn@cot.tn.gov

State Funding Board Guidelines for SEC Disclosures of Financial Obligations and Events of Default by Public Entities

1. BACKGROUND

Public Chapter 6, Acts of 2019 (the “Act”) promotes transparency by requiring the disclosure of financial obligations, including bank loans, etc. and events of default by public entities in accordance with Securities and Exchange Commission (SEC) Rule 15c2-12 and guidelines approved by the State Funding Board (the “Board”) for events of default. Public entities with publicly-traded debt are required by the Act to report financial obligations and defaults or other events which reflect financial difficulties on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board (MSRB). Public entities, that do not issue publicly-traded debt, are required to report events of default to the Office of the Comptroller of the treasury in accordance with these the State Funding Board Guidelines.

2. REPORTING

SEC Rule 15c2-12

The Act requires the Authorized Representative of a Public Entity with publicly-traded debt to ensure notice of financial obligations and events of default subject to any Post February 27, 2019 Continuing Disclosure Agreement (CDA) be reported within ten (10) business days of the event’s occurrence on the MSRB’s EMMA website in accordance with the requirements of SEC Rule 15c2-12. These Guidelines require that this reporting be performed as prescribed by the Public Entity’s CDA, SEC Rule 15c2-12, and instructions found on the MSRB’s EMMA website (<https://emma.msrb.org>).

Events of Default for Public Entities that Does Not Issue Publicly Traded Debt

The Act requires the Authorized Representative of a Public Entity that does not issue publicly-traded debt report events of default as described in Sections 3 of these Guidelines to the Office of the Comptroller within 10 days of the event. The reporting format and method of delivery will be as prescribed by the Comptroller’s Office.

If required information requires more room than on the reporting form additional information should be attached to the form.

3. REPORTING ITEMS AND DEFINITIONS FOR REPORTING FORM

- a. “Public Entity” - means the state, a state agency, a local government, a local government instrumentality, or any other authority, board, district, instrumentality, or entity created by the state, a state agency, local government, a local government instrumentality, or combination, thereof.
- b. “Financial obligation” - means a
 - (A) debt obligation;

- (B) derivative instrument entered 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) or (B).

The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board (MSRB) consistent with 17 CFR 240.15c2-12 under the Securities and Exchange Act of 1934.

- c. “Debt obligation” - means bonds, notes, capital leases, loan agreements, and any other evidence of indebtedness issued, executed or assumed by a public entity.
 - d. “Derivative” - means an interest rate agreement, as defined in TCA § 9-22-103, and such other transactions related to debt obligations as identified by the state Funding Board. If there a derivative product or contract associated with the defaulted debt issue report the notional amount of derivative, type, and termination value. If there is a termination event for the derivate report
 - e. "Event of default" - means default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.
 - f. “Name of Debt Issue” – means the name of the debt issuance as reported on the official statement or offering memorandum, loan document, or as reported in the financial statements.
 - g. “Type of Debt” - direct placement, loan, or conduit to a business, conduit to government, or debt of the IDC.
4. Other Reporting Items
- a. Authorized Representative.
 - b. Preparer.
 - c. Loan documents for debt without official statements or similar documents and ISDA Agreements for derivatives.
5. Other defined Terms
- a. “Authorized Representative” - The Chief Executive Office for the Entity
 - b. “Preparer” – Individual who fills out the form
 - c. “Organization” – The entity the Preparer works for if not an employee of the Public Entity.

Notice of Debt Default

A. Name of Public Entity: _____
Address: Street/P.O. Box _____

City, State Zip Code _____

B. Contact Information:

	Authorized Representative	Preparer
Name	_____	_____
Title	_____	_____
Phone Number	_____	_____
Email	_____	_____
Organization	_____	_____

C. Name of Defaulted Debt Issue _____

D. Amount of Defaulted Debt Issue _____

D. Description of Debt

Type of Debt _____
Security _____
Original Amount _____
Type of Interest Fixed _____ Variable _____
Call Date _____
Put Option Yes _____ No _____
Dated Date _____ Closing Date _____

E. Debt Related Derivative Yes _____ No _____

Type of Derivative _____
Nominal Amount _____
Final Maturity Date _____
Termination Value _____

F. Type of Default

F. Date of Default

G. Reason for Default and Plans to Cure

I. Additional Comments (Include Information on Financial Impact of Default)

*Please provide a copy of the Loan Documents, Lease Agreement, ISDA Agreement, or other Agreement whichever is applicable

J. Signatures

	Authorized Representative	Preparer
Signature	_____	_____
Date	_____	_____

K. Date Notice of Default Filed with Comptroller of the Treasury

Notice of Derivative Default

A. Name of Public Entity: _____
Address: Street/P.O. Box _____

City, State Zip Code _____

B. Contact Information:

	Authorized Representative	Preparer
Name	_____	_____
Title	_____	_____
Phone Number	_____	_____
Email	_____	_____
Organization	_____	_____

C. Name of Associated Debt Issue _____

D. Amount of Associated Debt Issue _____

D. Description of Debt

Type of Debt _____
Security _____
Original Amount _____
Type of Interest Fixed _____ Variable _____
Call Date _____
Put Option Yes _____ No _____
Dated Date _____ Closing Date _____
Is this the debt the derivative was originally entered for? Yes _____ No _____

E. Debt Related Derivative Yes _____ No _____

Type of Derivative _____
Nominal Amount _____
Final Maturity Date _____
Termination Value _____

F. Type of Termination Event or Default for Derivative _____

G. Defaulting Party _____

F. Date of Termination Event or Default _____

G. Termination Event or Default and Close Out Netting Mechanism _____

I. Additional Comments (Include Information on Financial Impact of Default)

*Please provide a copy of the Official Statement, Offering Circular, Loan Documents, Lease Agreement, ISDA Agreement, or other Agreement whichever is applicable.

J. Signatures

	Authorized Representative	Preparer
Signature	_____	_____
Date	_____	_____

K. Date Notice of Default Filed with Comptroller of the Treasury _____