

Bond Case Briefs

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NABL Releases Paper on Direct Purchases.

On July 26, NABL released *Direct Purchases of State or Local Obligations by Commercial Banks and Other Financial Institutions*. This paper identifies various issues that arise in connection with the structuring and negotiation of direct purchase transactions, and explores some of the more commonly encountered provisions present in direct purchase documents.

Part I of this paper describes common structures and terms and examines basic documentation and interest rate mechanics, as well as maturity, prepayment, and amortization provisions. Part II explores some of the representations, warranties, and covenants frequently negotiated in direct purchase agreements. Part III examines provisions that are often requested by banks in a direct purchase transaction and that are typically not included in public offerings. Part IV describes events of default and remedy features that are often considered in direct purchase transactions.

The paper also highlights other legal issues relevant to direct-purchase transactions. Part V briefly examines the considerations involved in determining whether direct purchase obligations are loans or securities. Part VI discusses current efforts for voluntary disclosure of direct purchase transactions and regulatory proposals to require disclosure. Finally, Part VII highlights several tax-related concerns that should be flagged for consideration by tax counsel in direct purchase transactions.

Direct Purchases of State or Local Obligations by Commercial Banks and Other Financial Institutions is available [here](#).