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NABL Releases Paper on General Obligation Bonds.

On August 12, 2014, NABL released the General Obligation Bonds: State Law, Bankruptcy and Disclosure Considerations. NABL prepared the paper to assist its members and other public finance market participants in identifying and evaluating various issues involving general obligation bonds. The paper examines the characteristics of general obligation bonds, state law remedies, municipal bankruptcy, and disclosure considerations.

Recent events, including the bankruptcy filings by Jefferson County, Alabama, and the City of Detroit, Michigan, have raised questions about the security of general obligation bonds and challenged the commonly held general assumptions about general obligation bonds. It has become apparent that not all general obligations bonds enjoy the same security or the same remedies for enforcement of the promise to pay. Further, the treatment of general obligation bonds in a municipal bankruptcy case is uncertain. Although the disclosure for general obligation bonds provided in Official Statements must be tailored to each general obligation bond, the paper does discuss topics that should be considered in preparing an Official Statement for an offering of general obligation bonds.

General Obligation Bonds: State Law, Bankruptcy and Disclosure Considerations was approved by NABL's Board of Directors and prepared by an ad hoc committee chaired by Dee P. Wisor of Butler Snow LLP. The paper is provided to further legal education and research and is not intended to provide legal advice or counsel as to any particular situation.

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