

NAIPFA STATEMENTS OF POLICY

ASSOCIATE MEMBER CATEGORIES

WHEREAS NAIPFA has had inquiries regarding the availability of associate memberships from firms providing services and or, tangential products to issuers of municipal debt, and;

WHEREAS expansion of the membership of NAIPFA and the broadening of the expertise available for the continuing education of the membership is deemed to be for the common good of NAIPFA and its professional members, and;

WHEREAS Article IV of NAIPFA by-laws provides that the board of directors has the authority to establish standards for associate membership in NAIPFA;

NOW THEREFORE be it resolved the following three categories of associate membership be and are hereby established:

- A. AFFILIATE MEMBER**, a person or entity engaged in the provision of credit rating, bond insurance or other credit enhancement services to public sector clients.
- B. GENERAL ASSOCIATE**, A person or entity not eligible for membership under Article 4.2 of the NAIPFA by-laws, which person or entity provides related services to state or local governments, either directly or indirectly.
- C. RETIRED PROFESSIONAL MEMBER**, open to all professional members who retire from the profession and employment with a member firm. This membership category shall not be available to professional members that leave the employ of, or association with, a member firm and subsequently become employed by, or associated with, a non-member firm related to our industry.

Adopted February 3, 1995

NAIPFA STATEMENTS OF POLICY (continued)

STATEMENT OF INITIATIVE REGARDING POLITICAL CONTRIBUTIONS TO STATE AND LOCAL OFFICIALS/CANDIDATES

Tremendous economic challenges face state and local governments. The public interest requires that the securities issuance process, and other activities in which financial advisors participate, engender the highest degree of confidence to ensure that state and local governments can raise much needed capital in the most efficient way possible.

The integrity of the municipal securities marketplace is dependent on each financial advisor and its respective employees maintaining the highest standards of ethical business conduct. Firms must comply not just with the letter, but with the spirit of all applicable laws, rules and regulations and standards of fairness and ethical behavior in order to preserve the public's trust in the marketplace. The selection of a financial advisor always should be in the best interests of the municipality and should preserve the integrity of the municipal securities market and protect taxpayers and investors.

The National Association of Independent Public Finance Advisors, the "Association", supports the principle that any political contributions which, in any manner, are intended to influence the awarding of municipal finance business should be prohibited. This principle should be viewed in the broadest of terms and no firm should do indirectly what it has agreed not to do directly.

Due to the public interest involved and the important role played by financial advisors in the funding of vital projects, the Association encourages its Member financial advisor firms to agree to this voluntary initiative to preclude the potential for political contribution abuse in connection with the awarding of municipal finance business. This initiative provides that:

- Each Firm, employee political action committees, and each Firm's municipal finance professionals, their supervisors, and senior management, will be prohibited from making political contributions at the state and local levels and from soliciting, using, or causing other persons or entities to make such contributions, except as provided in Paragraph 2 below.

This statement does not prohibit any municipal finance professional from making contributions of not more than \$250 per election to officials of an issuer for whom the municipal finance professional is entitled to vote.

- Affiliated companies of the Firms and employees of such affiliates which are not engaged in the municipal finance business shall not be prohibited from making political contributions at the state and local levels, provided those contributions are not made for the purpose or effect of inducing or influencing the obtaining or retaining of municipal finance business from a municipal issuer for the company's affiliated financial advisor. In particular, the relationship between an affiliated company and the financial advisor shall not be discussed or indicated, directly or indirectly, in connection with such contributions.
- Each Firm will establish written policies and procedures reasonably designed to effect the voluntary initiatives set forth herein.
- The Firms will continue to participate in ongoing discussions with industry members and regulators to develop appropriate guidelines and ethical standards in this area in an effort to implement fair, workable, clear and enforceable standards for financial advisors within the municipal finance industry. The Firms recognize that there are areas of concern which may warrant limited good faith exceptions to the prohibition on political contributions described above when there is clearly no relation to the municipal finance business. The Firms will continue to work to define those areas in order to protect the rights of individuals to participate in the political process in a manner fully consistent with the intent and spirit of this statement.
- The Firms call on all participants in the municipal finance process who have not yet done so, including law firms, investment advisors, engineers, appraisers, feasibility consultants, trustees, accounting firms, other vendors and developers, to join in this voluntary initiative.

Through this voluntary initiative, the Association believes that the public confidence in the municipal securities marketplace will be maintained, and that an ongoing commitment to the highest standards of ethical business conduct will be fostered in the highly professional and productive municipal markets.

Adopted October 14, 1998

NAIPFA STATEMENTS OF POLICY *(continued)*

POLICY STATEMENT ON FINANCIAL ADVISORS PROVIDING INVESTMENT ADVICE

State and local governments are challenged to manage their finances in a comprehensive manner that involves both the asset and liability sides of their balance sheets – both the issuance and restructuring of debt and the management of assets, including cash and investments. Public agencies benefit from unified planning and coordinated management of assets and liabilities, and many financial advisors can provide a broad range of advice to assist their clients in this type of financial management.

Investment-related matters have become an important part of the debt issuance process, as public agencies deal with advanced refunding escrow accounts, temporary investment of project funds, and arrangements for longer term investment of debt service and debt service reserve funds. Public agencies may look to their financial advisors for advice on these matters.

Public agencies may also require skilled advice on the prudent management of operating and reserve funds. Many financial advisors are properly equipped to provide such assistance, since they seek a comprehensive understanding of the agency's overall financial situation.

When public agencies seek investment advice, the public interest is best served when that advice is rendered by firms that are independent and free from conflicts of interest. Independent financial advisors can provide those services without conflicts of interest. The Association has adopted this Policy Statement to confirm that independent financial advisors will maintain high standards of performance and ethical conduct in connection with the rendering of investment advice.

Financial advisors that render investment advice, except for incidental advice rendered in connection with the initial deposit or investment of bond proceeds, should be registered with the Securities and Exchange Commission (SEC), if required under the Investment Advisors Act of 1940, or with appropriate state regulators if required by law. Although the interpretations published by the SEC allow a limited scope of investment advisory service without registration in connection with financial advice as to debt issuance, members of the Association should note that these exceptions may be narrowly applied.

Financial advisors that render investment advice, except for incidental advice that does not require their registration as investment advisors, should do so only in accordance with a written agreement with a public agency. If the financial advisor is providing debt management advice or other consulting services to the public agency at that time, the agreement should acknowledge this relationship and the scope of services.

An agreement to provide investment advice should describe any investment services to be provided, including, if applicable, the discretionary or non-discretionary authority of the advisor, record keeping and reporting requirements, and the basis and amount of all compensations (e.g., percentage of assets under management, fixed or performance-based fees).

Financial advisors should not collect brokerage fees. All compensation should be fully disclosed to the advisory client in writing and acknowledged by the advisory client, also in writing.

Professionals of financial advisory firms that provide investment advice should have the education skills and professional expertise to provide such advice competently.

Financial advisory firms that provide investment advice, except for incidental advice that does not require their registration as investment advisors, should have a written code of ethics that identifies prohibited relations and forbids individuals from benefiting directly or indirectly from investment transactions recommended to clients.

Adopted October 13, 2000

NAIPFA CODE OF PROFESSIONAL CONDUCT AND ETHICS

PREAMBLE

As a representative of the National Association of Independent Public Finance Advisors (NAIPFA), and as a representative of clients, Certified Independent Public Finance Advisors and other employees of member firms, both hereafter referred to as "Advisor", shall have a responsibility to conduct themselves with dedication, integrity and honor of the profession. An Advisor shall not engage in underwriting activity and shall accept compensation only from the client for providing independent advice.

An Advisor shall provide a client with independent advice on implementing available financing alternatives. Advice given shall adhere to all federal, state and local laws, regulations and rules applicable to the securities industry. As a negotiator, the advisor shall seek the result most advantageous to the client and maintain honor and integrity in dealing with others.

An Advisor shall be competent, prompt and diligent in professional functions. An Advisor shall keep an open line of communication with a client concerning the representation. The Advisor shall keep all client information in confidence except as required by law or this code of ethics.

An Advisor shall be guided by personal conscience and the approvals of professional peers and thus strive to attain the greatest level of skill to improve the quality of advice. In the ever changing environment of laws, securities regulations and rules, it is imperative for the Advisor and NAIPFA to continue our education to provide the highest quality advice. This commitment to continuing education in matters related to advising our clients provides for better Advisors and enhances the credibility of NAIPFA.

STANDARDS OF CONDUCT AND ETHICS

A. Competence – The Advisor shall:

- Provide competent representation to a client.
- Make thorough preparations applying his/her knowledge and skill.
- Not represent a client beyond his/her competence unless the advisor is associating with an advisor who is competent.
- Seek to maintain the highest professional standards and seek to improve the effectiveness of the position of Certified Independent Public Finance Advisor through continuing professional education.

B. Scope – The Advisor shall:

- Seek the client's objectives through reasonably available means permitted by law, securities regulations, rules and this code.
- Not knowingly engage or assist a client in conduct that is illegal or violates current securities regulations.

C. DILIGENCE – The Advisor shall:

- Act with diligence and promptness in representing a client.
- Act with commitment and dedication to the interest of the client.
- Carry through to conclusion all matters undertaken for a client unless the relationship is terminated.

D. COMMUNICATION – The Advisor shall:

- Not knowingly sign, subscribe to, or permit the issuance of any Official Statement which contains any misstatement or which omits any material fact.
- Explain a matter to the extent necessary to permit the client to make an informed decision.
- Maintain ongoing communication with the client.
- Comply with all reasonable requests for information.

E. CONFIDENTIALITY – The Advisor shall:

- Exhibit loyalty and trust in the affairs and interests of the client.
- Not reveal information relating to representations of a client unless the client consents after consultation.

F. CONFLICT OF INTEREST – The Advisor shall:

- Not represent a client if such representation is adverse to another client.
- Not seek or accept personal gain which would influence or appear to influence the conduct of the representation.

G. COMPETITION – The Advisor shall:

- Not solicit a party in connection with a specific financing for which the party has entered into an agreement with another financial advisor. However, an advisor may provide service to such a party if the party has initiated the request to provide advice.