

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

October 18, 1993

The integrity of the municipal securities marketplace is dependent on each municipal securities dealer 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 in order to preserve the public's trust in the marketplace. The selection of a municipal securities underwriter always should be in the best interests of the municipality and should preserve the integrity of the municipal securities market and protect investors.

Tremendous economic challenges face state and local governments. The public interest requires that the securities issuance and underwriting process engender the highest degree of confidence to ensure that investors will provide much needed capital to these state and local governments.

The municipal securities dealers listed below (the Firms) support 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 municipal securities dealers in the funding of vital projects, the Firms have agreed to a voluntary initiative to preclude the potential for political contribution abuse in connection with the awarding of municipal finance business. This initiative provides that:

- 1.) 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.
- 2.) All other employees shall not be prohibited from making personal contributions, provided such contributions are not made for the purpose of inducing or influencing the obtaining or retaining of municipal finance business from a municipal issuer. Pre-clearance of such personal contributions is not required. The Firms support the principle of disclosure of these contributions, subject to addressing issues of implementation and rights of privacy.
- 3.) Affiliated companies of the Firms 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 of inducing or influencing the obtaining or retaining of municipal finance business from a municipal issuer for its affiliated municipal securities dealer.

- 4.) Each Firm will establish written policies and procedures reasonably designed to effect the voluntary initiatives set forth herein.
- 5.) The Firms will continue to participate in ongoing discussions with industry members and regulators to develop appropriate laws, rules and regulations in this area in an effort to implement fair, workable, clear and enforceable standards 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.
- 6.) The Firms call on all participants in the municipal finance process, including securities firms, law firms, financial advisors, accounting firms and other vendors, to join in this voluntary initiative.

Through this voluntary initiative, the Firms believe 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.

October 18, 1993

The list of Firms agreeing to the attached Statement of Initiative is not all inclusive. Because of time constraints, not every Firm which participates in the municipal finance business has had the opportunity to review and consider this Statement. Those Firms are being provided with that opportunity.

Firms Agreeing to October 18th Statement of Initiative

Smith Barney Shearson

Merrill Lynch

Bear, Stearns Companies

Donaldson, Lufkin & Jenrette

Salomon Brothers

Morgan Stanley Group, Inc.

Paine Webber Group, Inc.

Prudential Securities Inc.

Lazard Freres & Co.

Kidder, Peabody & Co., Inc.

Lehman Brothers

CS First Boston

Goldman, Sachs & Co.

J.P. Morgan Securities Inc.

A.G. Edwards & Son, Inc.

Dillon Reade & Co.

Oppenheimer & Co.