Term	Definition
Bond	A security evidencing the issuer's obligation to repay a specified principal amount on a date certain (maturity date), together with interest either at a stated rate or according to a formula for determining that rate. Bonds are distinguishable from notes, which usually mature in a much shorter period of time. Bonds may be classified according to, among other characteristics, maturity structure (serial vs. term), source of payment (general obligation vs. revenue), issuer (state vs. municipality vs. special district), price (discount vs. premium), rating (rated vs. unrated, or among different categories of ratings) or purpose of financing (transportation vs. health care).
Callable Bond	A bond that the issuer is permitted or required to redeem before the stated maturity at a specified price, usually at or above par, by giving notice of redemption in a manner specified in the bond contract. Municipal bonds and other municipal securities often contain provisions giving the issuer the option to redeem or call specific bonds prior to the stated maturity date. A specified minimum amount of notice, generally 30 days, is provided to bond holders if the issuer elects to exercise its call rights. Call provisions sometimes require an issuer exercising an optional call to pay a premium for early redemption (*e.g.*, 101% of par value paid on principal redeemed). The provisions governing such premiums normally provide for lower premiums as the bonds approach maturity date. Call provisions may differ among bonds that are part of the same issue. For example, in an issue containing serial bonds, only those bonds with maturities over ten years from the issuance date may be subject to optional call.
Non-callable Bond	A bond that cannot be redeemed at the issuer's option before its stated maturity date.
Par Value	The amount of principal that must be paid at maturity. The par value is also referred to as the "face amount" of a security.
Premium	The amount by which the price paid for a security exceeds the security's par value. For tax purposes, the actual amount of premium with respect to a particular security may be affected by the existence of any original issue premium or original issue discount.
Referendum	A process whereby the voters of a governmental unit are given the opportunity to approve or disapprove a proposed new issue of municipal securities. An election is most commonly required in connection with general obligation or full faith and credit bonds. Requirements for voter approval may be imposed by state constitution, statute or local ordinance.
Refunding Bond	A procedure whereby an issuer refinances outstanding bonds by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer's interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding bonds when due or used to promptly (typically within 90 days) retire the outstanding bonds. The new bonds are referred to as the "refunding bonds," and the outstanding bonds being refinanced are referred to as the "refunded bonds" or the "prior issue." Generally, refunded bonds are not considered a part of the issuer's debt because the lien of the holders of the refunded bonds, in the first instance, is on the escrowed funds, not on the originally pledged source of revenues.