

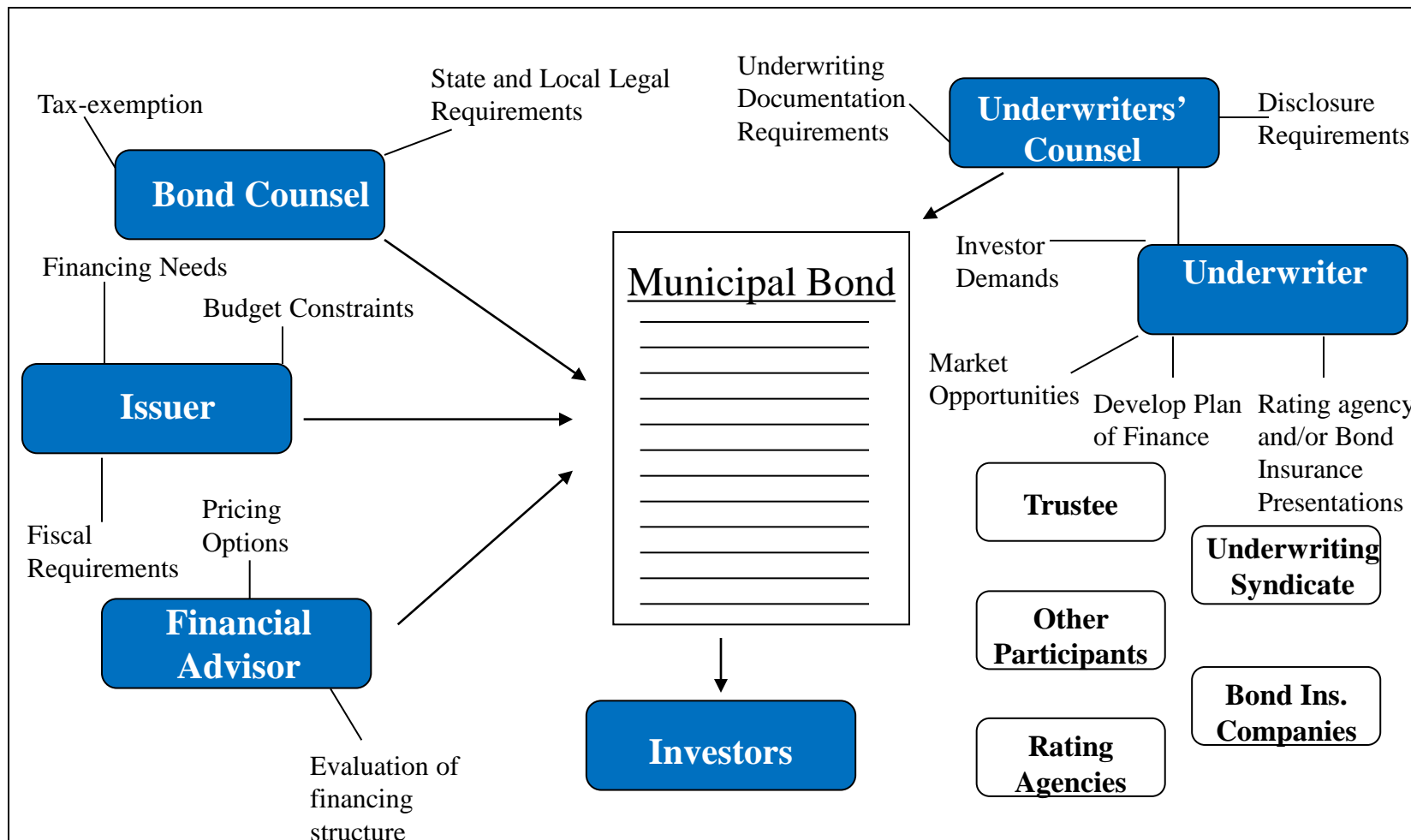


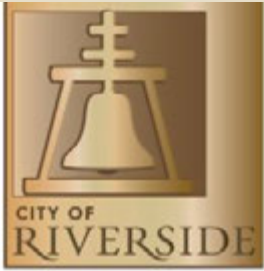
CDIAC Training

Roles and Responsibilities of the Issuer and Finance Team Members

March 13, 2012

The Financing Process

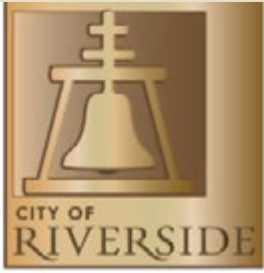




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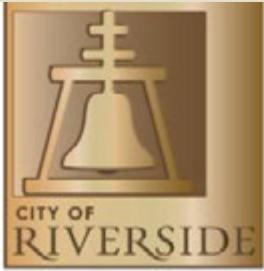
Financial Advisor



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Role of the Financial Advisor

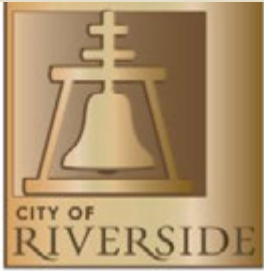
- Assist the issuer with capital planning and long-term financial plans
- Coordinate the financing and debt issuance process
- Evaluate underwriter proposals and provide financial analysis and recommendations
 - Evaluate different debt options
 - Assist in the assessment of risks, costs and benefits
- Assist in procurement of professional services and other members of the team
 - Trustee
 - Printer
 - Underwriters



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Role of the Financial Advisor

- Work with the issuer and develop rating agency presentation and credit strategy
- Monitor and evaluate market conditions for opportunities
- Work with issuer and underwriter to develop investor outreach and marketing approach
- Competitive pricing:
 - Manage competitive bid process
 - Ensure negotiated price is “fair”



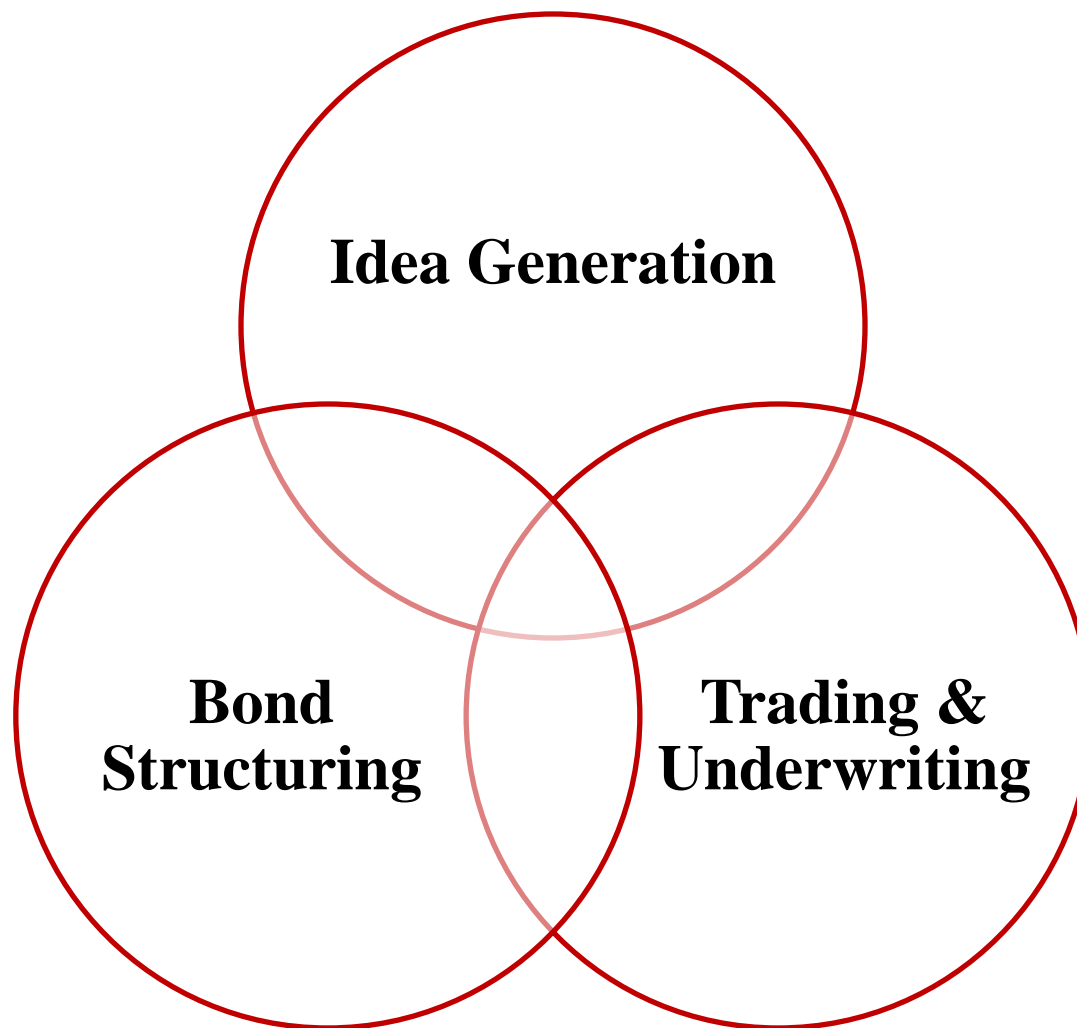
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Underwriter

What is the Role of an Underwriter?

The role of the underwriter can be broken down into three broad categories



Idea Generation

*Underwriters are
a consistent
source of ideas
for bond issuers*

- **New Money Financings**
- **Refunding and Restructuring**
- **New Products**

Bond Structuring

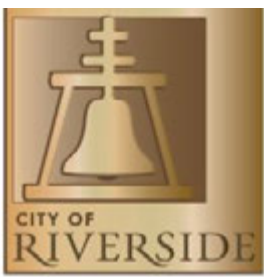
Underwriters assist in all of the activities that go into the structuring of the bond issue.

- **“Running The Numbers”**
- **Credit Analysis and Preparation**
- **Legal Review**

Trading & Underwriting

*Underwriters
connect investors
and issuers*

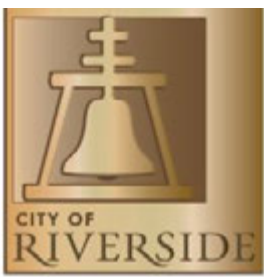
- **Market Knowledge**
- **Premarketing of the Bonds**
- **Pricing and Sale**
- **Trading**



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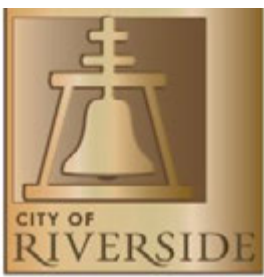
Bond Counsel



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Role and Services of Bond Counsel

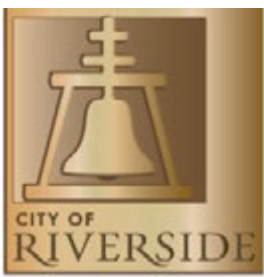
- Need for an Approving Legal Opinion and Its Function
 - Bonds are not marketable without accompanying opinion of a nationally recognized bond counsel that addresses:
 1. Validity of Bonds
 2. Source of payment and security for the Bonds
 3. Whether and to what extent interest on the Bonds is exempt from federal and state income tax
 - Objective/unqualified Bond Counsel opinion required
 - Bond opinion does not constitute a guarantee



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Role and Services of Bond Counsel

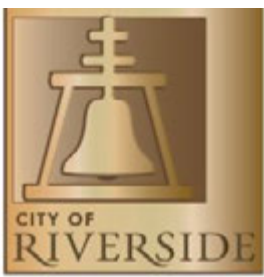
- Provide expert and objective legal opinion and advice
- Attorney-client relationship with the Issuer



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Scope of Services During Financing

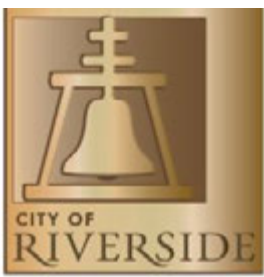
- Render approving opinion
- Preparation and review of documents necessary or appropriate to the authorization, issuance, sale and delivery of the Bonds, coordination of the authorization and execution of these documents
- Assisting the Issuer in seeking from other governmental authorities any approvals, permissions and exemptions necessary or appropriate in connection with the authorization, issuance, sale and delivery of the Bonds
- Reviewing legal issues relating to the structure of the bond issue
- Preparing election proceedings or pursuing validation proceedings



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Scope of Services During Financing

- Reviewing or preparing those sections of the official statement that relate to the bonds, financing documents, bond counsel opinion and tax exemption
- Assisting the Issuer in presenting information to bond rating organizations and credit enhancement providers relating to legal issues affecting the issuance of the Bonds
- Reviewing or preparing the Notice of Sale or Bond Purchase Contract for the Bonds and reviewing or drafting the continuing disclosure undertaking of the Issuer
- Post issuance advice
 - Representation in the event of IRS audits or SEC investigations
 - Bond covenant compliance



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Disclosure Counsel

Role of Disclosure Counsel

- ▣ Represents Issuer
- ▣ vs. Underwriter's counsel

Key Laws

**Securities Act of 1933
('33 Act)**

**Securities Exchange Act of 1934
('34 Act)**

SEC Rule 15c2-12

SEC Rule 10b-5

Key Laws

'33 Act

- ▣ Registration
 - Exemption for munis
- ▣ Anti-Fraud

Key Laws

'34 Act

- ▣ Purpose
- ▣ Anti-Fraud
 - Section 10(b) & Rule 10b-5
- ▣ Rule 15c2-12

Anti-Fraud

- ▣ Material Facts

* See Appendix for more detailed information.

Rule 15c2-12

- ▣ New Issue (POS/FOS)
- ▣ Continuing Disclosure
 - Annual reporting
 - Events reporting

* See Appendix for more detailed information.

Key Laws

Rule 15c2-12 (cont'd)

■ 14 Significant Events

- Principal and interest payment delinquencies
- Non-payment related defaults, *if material*
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions or events affecting the tax-exemption
- Modifications to rights of security holders, *if material*
- Bond calls, *if material*, and tender offers
- Defeasances
- Release, substitution, or sale of property securing repayment of the securities, *if material*
- Rating changes
- Bankruptcy or insolvency of Issuer
- Merger or consolidation, *if material*
- Appointments of successor or additional trustee, *if material*

Other Financing Team Members

- **Feasibility Consultant** – Provide opinion as to the economic feasibility of a project
- **Registrar/Trustee** – Plays a fiduciary role as representative of the bondholders
- **Rating Agencies** – Provide publicly available ratings (assessment) of credit quality
- **Credit Enhancement Provider** – Guarantee the timely payment of principal and interest on the bonds