



Corporate Trust Services

March 15, 2012

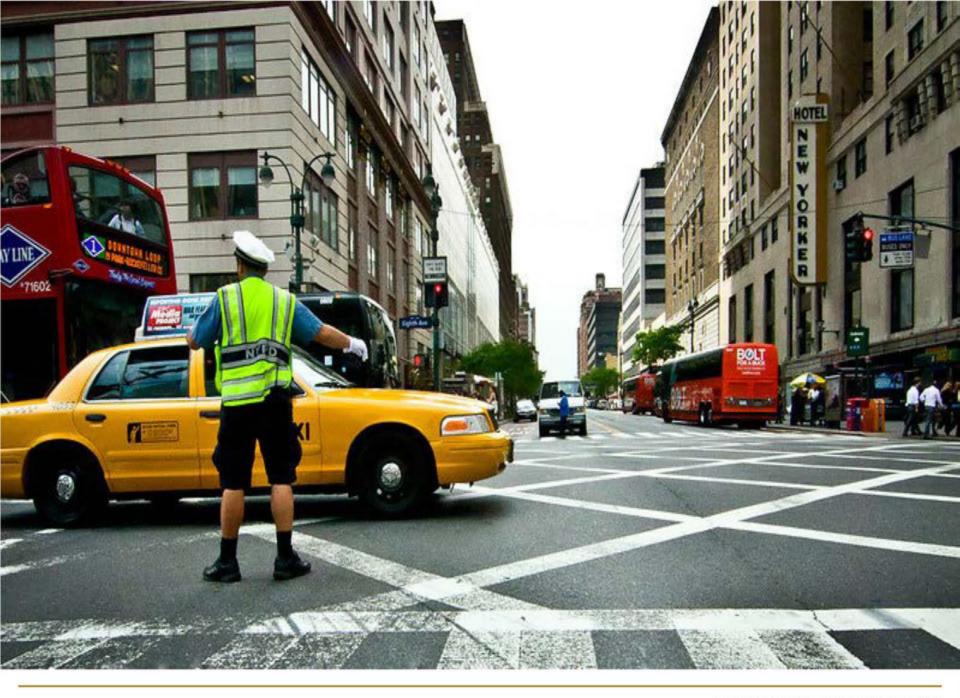
Municipal Debt Essentials

Presented by:

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The Bank of New York Mellon Trust Company, N.A.





Trustee or Agent...what's the difference

- Simple to complex roles levels of involvement depend on type of financing and security your holders require
- Paying Agent payment of principal and interest to your bondholders
- Fiscal Agent in addition to paying agent duties, perform certain administrative duties on Issuer's behalf
 - Primary recordkeeping/tracking of bond proceeds. Custodian of investments representing bond proceeds. Maintenance of reserve, project, and debt service funds.
 - Monitor and collect compliance documentation or covenants required under the financing documents
- Trustee in addition to Paying & Fiscal Agent duties, act as fiduciary for bondholders upon event of default

Other Functions



- Registrar maintain registered security holder records (bond holdings) and register transfers from one holder to another
- Dissemination Agent (appointed under separate agreement) – receive obligated party's ongoing required disclosure information from obligated party and forward it to the secondary marketplace
- Arbitrage Compliance Services perform arbitrage requirements for borrowers who need to comply with the Tax Reform Act of 1986

Administrative Duties of a Trustee or Fiscal Agent

- Interaction with the Trustee...What does the trustee do for you...?
 - Custodian/safekeeping of bond proceeds; administration and investment of funds established under the indenture; maintenance of accounting records
 - Construction fund accounting; payment of requisitions as you build your project.
 - Debt service billing and collection of revenues or payments for eventual payment to bondholders
 - Monitoring of covenants and collection of compliance items
 - Holding and monitoring the security and/or collateral supporting the bond issue

Establishment of Trust Funds & Accounts

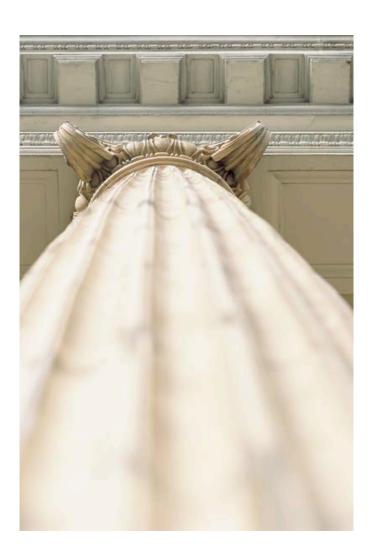
Who holds what?

- All driven by the governing documents
- Some funds & accounts may be held by the Issuer
- Many are held by the Trustee
 - -Typically: Construction Fund, Bond Fund, Principal and Interest Accounts, Reserve Fund, Rebate Fund, Redemption Fund,...

Investment of Trust Funds

- ■The investment of bond proceeds
- Permitted investments compliance with indenture
- Settlement procedures and timing requirements of various investment types
- ■Tracking market value of investments, such as County investment pool, GIC's, or LAIF vs. standard investments
- Arbitrage Rebate Requirements
- •A trustee is not an investment advisor ... but may have resources within its organization

Administration of Trust Funds



All dictated by the governing document(s).

- Accounting processes...project fund, maintenance of Reserve, etc
- Tracking and transfer of interest earnings project period vs. post completion
- Tracking of revenues, lease payments, etc. the re-payment process ...waterfall through funds (transfers between accounts)
- Disbursements Project/Construction Payments, Costs of Issuance, Principal and Interest, Fees
- Receipts Revenues (project revenues, taxes), Issuer/Obligor payments
- ➤ How often do you need your statements; what about other departments and auditors? Internet or online access to view your activity and assets held in trust



The Construction or Project Fund Phase

- Payment of requisitions as you build your project
- Requisition disbursement requirements as dictated under the indenture or contract
 - Authorized disbursements and signatures required
- Vendor payments and timing requirements
 cash on hand vs. investments held
- Payments to vendors vs. reimbursement to issuer
- Completion certificates required under the indenture



SAMPLE

CONSTRUCTION FUND REQUISITION

REQUISITION FOR MONEY FROM THE CONSTRUCTION FUND

To: The Bank of New York Mellon Trust Company, N.A., as Trustee

Re: City of Anytown Build America Bonds

Requisition No. 1

The undersigned, on behalf of City of Anytown, hereby requests payment, from the Construction Fund for the Bonds identified above. Please pay the total amount shown below to the order of the payee or payees named below. The payee(s), the purpose and the amount of the disbursement requested, are as follows:

Payee	Purpose	Amount	
City of Anytown	Reimbursement for project costs	\$xxx.xx	
Total		\$xxx.xx	

All capitalized terms used herein have the meanings given such terms in the Indenture of Trust, between The Bank of New York Mellon Trust Company, N.A. and the City of Anytown and relating to the above-captioned Bonds. The undersigned hereby certifies as follows:

- Each of the items for which payment is requested is a proper charge against the Construction Fund, and is or was necessary in connection with the Project.
- None of the items for which payment is requested has been reimbursed previously from the Construction Fund.

3. All of the ame Agreement.	ount requisitioned will b	e used in a	manner consi	istent with th
Dated:				
City of Anytown				
By: Authorized Borrow	er Representative			
Ву:		_==		

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Debt Service Process

- Courtesy billing, collection of tax revenue, lease payments, etc. for eventual payment to bondholders...
- Credits via interest earnings or capitalized interest
- Fixed vs. variable rate bonds
- Debt service schedules
- Sinking fund requirements
- Issuer/Obligor's responsibility for timely payments, consequences of non-timely payments
- DTC Book-entry

Security/Collateral

- The Trustee typically holds and monitors the security and/or collateral supporting the bond issue
 - UCC financing statements, insurance, credit facilities, property liens, etc
- Courtesy reminders of expirations
- May draw on credit facilities upon non-renewal
- May collect insurance proceeds in event of property damage
- May exercises liens and/or foreclose per security holders direction in event of default



Compliance Monitoring

- Trustee tracks certain covenant requirements under the Indenture
 - Trustee's role: follow document requirements, receive items from issuers/obligors, send courtesy reminders to issuers/obligors
- Tickler system to track what continuing documentation, reports and certificates you need to provide the trustee (they are built in protections for your bondholders, agreed upon prior to bond issuance)
 - Insurance certificates vs. Statements of Compliance
 - Budgets and preliminary budgets
 - Rebate requirements
 - Change in authorized signatories
 - Copy of Annual disclosure reports
 - Disclosure dissemination (if appointed as Dissemination Agent)



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Bond Issuer Downgrade

- •MBIA
- •FGIC
- •FSA
- Assured Guaranty
- •AMBAC
- •ACA
- •XL
- •CIFG
- •Radian
- •Berkshire Assurance (New)

Trustee Responsibilities During a Counterparty Downgrade

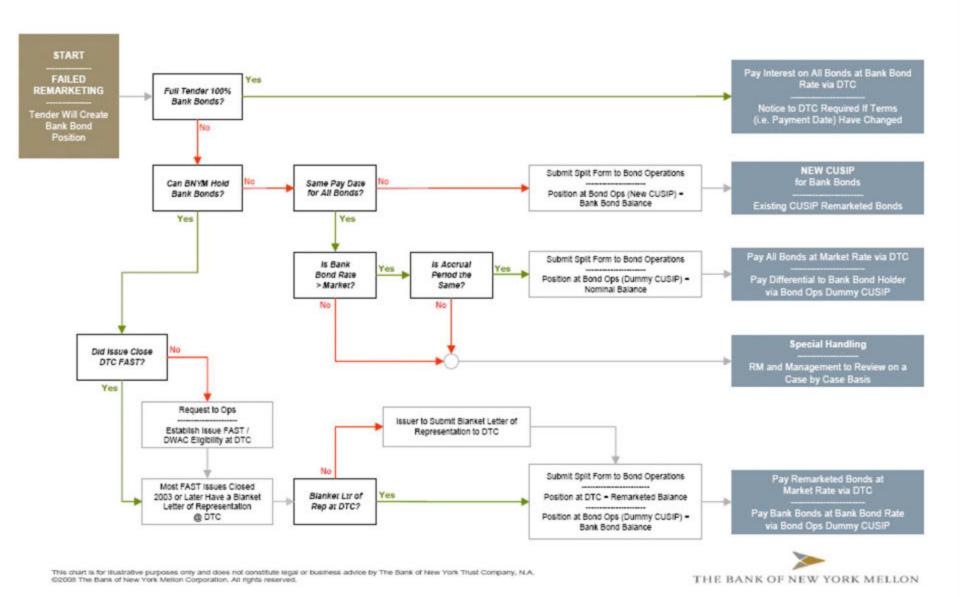
Bond Downgrade

- •Review all documents (Indenture, Reimbursement Agreement, Bond Purchase Agreement) immediately for all bond issues affected by downgrade.
- •Downgrade may not trigger any actions
- •Gather information and relay to Issuer
- Continuing Disclosure- Bond Rating

Surety Bonds

- •Is it a permitted Investment
- Investment Agreements
- •Tight Window Period
- Put up collateral
- •Liquidate GIC

Failed Remarketing / Bank Bonds Decision Tree



Direct Pay Bonds (ARRA)

- •Trustee or Paying Agent
- •Build America Bonds discontinued on 12/31/2010
- School Districts still issuing Direct Pay Bonds
- •Calculate Principal & Interest
- •Issuer or Trustee/Paying Agent file form 8039 CP
- Post Issuance Compliance may be necessary

Form	80	03	8	-C	P
Otov.	June	504	(0)	2337	
Depart	ment	Of the	e Tre	NOTE THE RE	y .

Return for Credit Payments to Issuers of Qualified Bonds

OMB No. 1545-2142

Par		Information on Entity That Is To Receive Payment of C	credit and Com	munications Che	ck box if Amended Return F	
,	Name of	entity that is to receive payment of the credit		2 Employer iden	tification number (EIN)	
э	Number a	and street (or P.O. box no. if mail is not delivered to street address)			Floom/suite	
4	City, towr	n, or post office, state, and ZIP code				
6	Name and	and title of designated contact person whom the IRS may call for more information			ber of officer or legal representative	
Par	· III	Reporting Authority				
7		r's name (if same as line 1, enter "BAME" and skip lines 8, 9, 11, 15, and 16) 8 EIN				
9	Number a	and street (or P.O. box no. if mail is not delivered to street address)	For IRS Use Only)			
11	City, towr	n, or post office, state, and ZIF code 12 Date of issue (h			MINIDO/YYY)	
13	Name of issue 14 CUBIP number			(See instructions.)		
15	Name and title of officer or other person whom the IRS may call for more information 16. Telephone num				ber of officer or other person to call	
17a		issue For build America bonds and recovery zone economicational Health and Hospital Transportation Publicational				
b	For build /	America bonds, recovery zone economic development bonds, and specified	tex credit bonds, ente	r the issue price	17b	
.0.	Check a	pplicable box ► ☐ Variable rate bond ☐ Fixed rate	bond			
Par	t III	Payment of Credit (For specified tax credit bonds	with multiple	maturities, see i	nstructions.)	
18	Interest (payment date to which this payment of credit relates (MM/DD/)	(***) /	/		
190		payable to bondholders on the interest payment date , , ,			19a	
b		fied tax credit bonds only, enter the applicable credit rate determined u			1111	
		ified tax credit bonds only, enter the interest that would be pay				
-		date calculated using the applicable credit rate (see instruction			190	
20		of credit payment to be received as of the interest payment			100	
20		I, 20e, or 20f):	date (complete c	any mie zou, zou,		
					20a	
	Build America bonds. Multiply line 19a by 35% (0.35),				20b	
	Recovery zone economic development bonds. Multiply line 19a by 45% (0.45)				20c	
					20d	
	나는 사람들이 어려면 나가 이 바람들이 이 아이를 가게 하면 살아보다는 것이 아이를 가게 되었다. 그렇게 나가 되었다면 하는 사람들이 아이를 가게 되었다면 하는 사람이 아니라 아이를 가게 되었다면 하는 사람이 아이를 가게 되었다면 하는 사람이 아니라				20e	
	Qualified zone academy bonds enter the lesser of lines 19a or 19c				20f	
21		ent to previous credit payments (complete line 21a OR line 21b			201	
			Gruy).		21a	
b					21b (
22						
23		ne final interest payment date?	. 200, or 201 with in	6 214 OF 1176 21B	· · · Yes D No D	
24		tity identified in Part I is not the issuer, check this box		0 1 0 0 1 0		
		25 Enter direct deposit information below:				
Dire	tot		► b Type: ☐ Chec	king Savings		
	risoo		B Type: Chec	iding Li savings		
		6 Account number				
			nel meneromanico del	beetsdeen ared estatorness	is, and to the best of my knowledge	
		Under penalties of perjury, Libertary that Thave examined this return, as			markatales executed conservatives that they exactly	
_	nature	Under penalties of perjury, I declare that I have examined this return, ar and belief, they are true, correct, and complete. I further declare that I is obstituted to Part I and I correct to the declare that I is	authorize the B45 to a	more the requested ret	or reduced block or well to oversel to the	
Sign	nature	Under penalties of perjusy, I declare that I have examined the return, as and behief, they are true, correct, and complete. I further declare that is identified in Part I, and I consent to the disclosure of the issuer's retu- designated contact person(s) issted above in Parts I and B, as applicable.	authorize the R45 to a rn information, as ne o.	scenary to process th	e refundable credit payment, to the	
Sigr		Under penalties of penury, I declare that I have examined this return, as and behief, they are true, correct, and complete. I further declare that I identified in Part I, and I consent to the disclosure of the issuer's return designated contact person(s) listed above in Parts I and II, as applicable and the person of the instance of	authorize the R4S to a rn information, as ne o.	scenary to process th	e refundable credit payment, to the	
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Redevelopment Successor Agencies

- •Sent notice to make sure debt service and Trustee fees are in ROPS list
- •Working closely with Successor Agencies and counties to ensure receipt of debt service funds
- •Evolving



Defaults- Protecting the interest of your bondholders

- Defaults
 - Payment Defaults, Covenant Defaults
 - Cure Period
 - Pursue remedial provisions under the indenture
- Event of Default
 - Notices of default and bondholder communications
 - Holder Direction
 - Creditors' committee
- Potential Remedies
 - Acceleration of bonds
 - Exercise of ownership on collateral held

Pre-closing... Before It's Too Late

- Pre-closing . . . The issuer and trustee will have to work within this Indenture for the next 30 years, make certain the contract reads the way you want it to read. Things to consider . .
 - maintenance of security interest(s)
 - establishment of sub accounts
 - waterfall of revenue or lease payments
 - document and invoice requirements surrounding disbursements for construction funds
 - permitted investment language
 - compliance requirements and documentation required
 - covenant restrictions

Is all of the above realistic? If not, speak up before the bond sale date

Your relationship with your trustee...

- Many parties move on after the closing. The Issuer and the Trustee are actively involved for the life of the bonds.
- The trustee performs administrative functions on my behalf, which will directly reflect on me, the City/Agency and our bond holders. How am I selecting my trustee (my 30 year partner)?
- This long-term relationship should begin prior to the closing and early on in the document review process.
- I now have a five-inch thick closing transcript binder, with no pictures. How do I organize what is important for the next 20 to 30 years?
- What tools or resources or expertise does my trustee have which might assist me with what I need?



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Questions?

Now,

Or anytime in the future:

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