

**California Debt and Investment Advisory Commission
Living With an Issue: Ongoing Debt Administration**

**Bond Documents:
Critical To Managing Debt Service**

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Introduction

- Managing a financing after closing
- Critical provisions in bond documents that govern payment of debt service
- Continuing disclosure obligations
- Ask questions

Indenture (Trust Agreement, Fiscal Agent Agreement, Paying Agent Agreement, Bond Resolution, Bond Ordinance)

- Purpose: Sets forth terms and conditions of the bonds and provides for the security pledged for repayment of the bonds.

- Critical Provisions to Review:
 - Permitted Investments – Investment of Bond Proceeds
 - Pledge
 - Interest Rate
 - Payment and Redemption

Indenture (Trust Agreement, Paying Agent Agreement, Bond Resolution, Bond Ordinance)

- Critical Provisions to Review (continued):
 - Funds and Accounts
 - Case Study: Surety bond requirements in light of downgrades/extensions of surety bonds
 - Affirmative Covenants
 - Negative Covenants
 - Defeasance Provisions
 - Default and Remedy Provisions
 - Bond Insurance Provisions

Loan Agreement (Financing Agreement, Installment Sale Agreement, Facilities or Project Lease)

- Purpose: Sets forth the terms and conditions under which the Issuer lends bond proceeds to the Borrower or otherwise provides for the project being financed.
- Critical Provisions to Review:
 - Representations, Warranties and Covenants
 - Special Covenants
 - Pledge Provisions
 - Title Provisions
 - Abatement Provisions (in Leases)

Tax Certificate (Tax Regulatory Agreement, Arbitrage Agreement, Land Use Restriction Agreement)

- Purpose: Sets forth conditions required to be made by the Issuer (or Borrower) to satisfy requirements of the Internal Revenue Code for tax exemption of the bonds.
- Critical Provisions to Review:
 - Representations and Warranties – Rebate and Arbitrage
 - Sources and Uses of Proceeds
 - Various provisions depending on type of issue – consult Bond Counsel (tax compliance, private use, refunding, etc.)

Continuing Disclosure Agreement (Continuing Disclosure Certificate)

- Purpose: Sets forth undertakings of the Issuer (and any obligated persons) to provide ongoing disclosure.

- Critical Provisions to Review:
 - Contents of Annual Reports
 - Provision of Annual Reports
 - Filing of Audited Financial Statements and Budgets
 - Reporting Significant Events

Reimbursement Agreement

(Financial Guaranty Agreement)

- Purpose: Sets forth obligation to repay letter of credit bank (or surety provider) amounts drawn on credit facility.

- Critical Provisions to Review:
 - Representations and Warranties
 - Letter of Credit
 - Covenants

Bond Documents that do not provide for continuing administrative responsibilities:

■ Authorizing Resolution

- Purpose: Authorizes the issuance and sale of bonds, execution and delivery of documents, directs staff to take other actions necessary to complete financing.

■ Bond Purchase Agreement

- Purpose: Provides for the sale of the bonds to the Underwriter or Purchaser.

■ Official Statement

- Purpose: Provides disclosure to investors and potential investors.