

April 5, 2011

California Debt and Investment Advisory Commission Municipal Market Disclosure

Good Disclosure: It's in the Process

The Role of the Underwriter

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Good Disclosure: It's in the Process

Beyond the Legal Requirements:

How Can Underwriters Impact Disclosure?

Can Good Disclosure be User Friendly?

How to Address Disclosure Challenges?

Disclosure Process and Deal Timetable?



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The Role of the Underwriter

- Purchase bonds from the issuer for resale to investors
- Participate in the preparation and distribution of the offering documents for negotiated sales
- Must comply with regulatory requirements such as SEC Rule 15c2-12 and MSRB Rule G-32
- Underwriters can add value in the disclosure preparation process by providing issuers with insights into market needs and investor behaviors, resulting in disclosure documents that are not only accurate, but also user friendly



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Example of Good Disclosure - Credit Provider Table

optional or mandatory tender to the extent that remarketing proceeds are insufficient therefor. Metropolitan's obligation to pay the purchase price of any tendered Self-Liquidity Bonds is an unsecured, special limited obligation of Metropolitan payable from Net Operating Revenues and other available funds. Metropolitan has not secured any liquidity facility or letter of credit to pay the purchase price of any tendered Self-Liquidity Bonds. (See "—Other Revenue Obligations" below.)

The interest rates for Metropolitan's other variable rate obligations are reset on a daily or weekly basis. Such variable rate demand obligations are supported by Standby Bond Purchase Agreements between Metropolitan and various liquidity providers. The following table sets forth a listing of the liquidity providers, the expiration date of each facility and the principal amount of outstanding bonds covered under each facility.

<u>Liquidity Provider</u>	<u>Bond Issue</u>	<u>Principal Outstanding</u>	<u>Facility Expiration</u>
Landesbank Baden-Wuerttemberg (LBBW)	2008 Series A-2	\$249,235,000	March 2011
	Total	\$249,235,000	
Bank of America, N.A.	1999 Series B	\$ 50,000,000	May 2012
	2008 Series A-1	249,890,000	March 2011
	Total	\$299,890,000	
Lloyds TSB Bank	2001 Series C-1	\$100,000,000	December 2011
	2001 Series C-2	100,000,000	December 2011
	Total	\$200,000,000	
JP Morgan Chase Bank	1999 Series C	\$ 50,000,000	May 2012
	2004 Series A-1	78,480,000	September 2012
	2004 Series A-2	78,485,000	September 2012
	Total	\$206,965,000	
BNP Paribas	2000 Series B-3	\$ 88,800,000	August 2011
	2000 Series B-4	88,800,000	August 2011
	Total	\$177,600,000	

Liquidity Provider

Bond Issue

Principal Outstanding

Facility Expiration

Landesbank Baden-Wuerttemberg (LBBW)

2008 Series A-2

\$249,235,000

March 2011

Total

\$249,235,000

Source: Metropolitan.

(1) Subject to earlier termination on September 1, 2011.

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Example of Good Disclosure - Credit Provider Table

BANK ARRANGEMENTS (See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS - Capital Facilities Financing - Bank Arrangements.")
as of November 15, 2010

Program	Series	Outstanding Par Amount	Credit Provider	Expiration	Type of Credit	Reset Mode
GO	2003A 1	\$50,000,000	JP Morgan Chase	12/1/2011	LOC	Daily
VRDOs	2003A 2-3	\$200,000,000	Bank of Montreal	12/1/2012	LOC	Daily
GO	2003B 1-4 ^(a)	\$250,000,000	BNP Paribas (80.0%) CA Public Employees' Retirement System (20.0%) CA State Teachers Retirement Syst. (20.0%)	12/1/2010	LOC	Weekly
GO	2003C 1	\$100,000,000	Bank of America, N.A.	12/1/2011	LOC	Weekly
VRDOs	2003C 2	\$100,000,000	Bank of Nova Scotia	12/1/2011	LOC	Weekly
VRDOs	2003C 3-4	\$100,000,000	Cinbank, N.A.	12/1/2012	LOC	Weekly
GO	2004A 1, 4 & 5	\$200,000,000	Cinbank, N.A. (75%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Daily
VRDOs	2004A 2 & 3	\$150,000,000	State Street Bank & Trust Company (75%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Daily
GO	2004A 6, 7, 8 & 10	\$200,000,000	Cinbank, N.A. (75.0%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Weekly
VRDOs	2004 A 9	\$50,000,000	State Street Bank & Trust Company (75%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Weekly
GO	2004B 1-3	\$165,000,000	Cinbank, N.A.	10/15/2012	LOC	Daily
VRDOs	2004B 4-6	\$135,000,000	Cinbank, N.A.	10/15/2012	LOC	Weekly

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VRDOs	2003A 2-3	\$200,000,000	Bank of Montreal	12/1/2012	LOC	Daily
GO	2003B 1-4 ^(a)	\$250,000,000	BNP Paribas (80.0%) CA Public Employees' Retirement System (20.0%) CA State Teachers Retirement Syst. (20.0%)	12/1/2010	LOC	Weekly
GO	2003C 1	\$100,000,000	Bank of America, N.A.	12/1/2011	LOC	Weekly
VRDOs	2003C 2	\$100,000,000	Bank of Nova Scotia	12/1/2011	LOC	Weekly
VRDOs	2003C 3-4	\$100,000,000	Cinbank, N.A.	12/1/2012	LOC	Weekly
GO	2004A 1, 4 & 5	\$200,000,000	Cinbank, N.A. (75%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Daily
VRDOs	2004A 2 & 3	\$150,000,000	State Street Bank & Trust Company (75%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Daily
GO	2004A 6, 7, 8 & 10	\$200,000,000	Cinbank, N.A. (75.0%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Weekly
VRDOs	2004 A 9	\$50,000,000	State Street Bank & Trust Company (75%) CA State Teachers Retirement Syst. (25%)	10/15/2012	LOC	Weekly
GO	2004B 1-3	\$165,000,000	Cinbank, N.A.	10/15/2012	LOC	Daily
VRDOs	2004B 4-6	\$135,000,000	Cinbank, N.A.	10/15/2012	LOC	Weekly
GO	2005A-5	\$49,100,000	Bank of America	11/10/2011	LOC	Weekly
VRDOs	2005B-1	\$147,100,000	Bank of America	11/10/2011	LOC	Weekly
GO	2005B-2	\$98,100,000	JP Morgan Chase	11/10/2011	LOC	Weekly
VRDOs	2005B-3	\$49,100,000	Barclays	1/12/2012	LOC	Weekly
GO	2005B-4	\$49,100,000	JP Morgan Chase	11/10/2011	LOC	Weekly
VRDOs	2005B-5	\$88,890,000	Barclays	1/12/2012	LOC	Weekly
GO	2005B-6	\$98,100,000	KBC Bank	11/10/2011	LOC	Daily
VRDOs	2005B-7	\$49,100,000	JP Morgan Chase	11/10/2011	LOC	Daily
GO	2004C-1	\$100,000,000	Bank of America	6/15/2012	LOC	Daily

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Example of Good Disclosure - Swap Table

FIXED PAYOR SWAPS:						
<u>Designation</u>	<u>Notional Amount Outstanding</u>	<u>Swap Counterparty</u>	<u>Fixed Payor Rate</u>	<u>MWD Receives</u>	<u>Maturity Date</u>	
2001 ⁽¹⁾	\$109,400,000	JPMorgan Chase Bank	4.219%	SIFMA-35 bps	7/1/2020	
2001 ⁽¹⁾⁽²⁾	109,400,000	Deutsche Bank AG	4.219	SIFMA-35 bps	7/1/2020	
2002 A	80,432,950	Morgan Stanley Capital Services, Inc.	3.300	57.74% of one-month LIBOR	7/1/2025	
2002 B	33,457,050	JPMorgan Chase Bank	3.300	57.74% of one-month LIBOR	7/1/2025	
2003 ⁽²⁾	165,272,500	Deutsche Bank AG	3.257	61.20% of one-month LIBOR	7/1/2030	
2003	165,272,500	JPMorgan Chase Bank	3.257	61.20% of one-month LIBOR	7/1/2030	
2004 A	156,965,000	Morgan Stanley Capital Services, Inc.	2.917	61.20% of one-month LIB OR	7/1/2023	
2004 C	72,630,250	Morgan Stanley Capital Services, Inc.	2.980	61.55% of one-month LIBOR	10/1/2029	
2004 C	59,424,750	Citigroup Financial Products, Inc.	2.980	61.55% of one-month LIBOR	10/1/2029	
2005 ⁽²⁾	58,547,500					
2005 ⁽²⁾	58,547,500					
2006 ⁽¹⁾⁽²⁾	31,035,000					
2006 ⁽²⁾	31,035,000					
2006 ⁽¹⁾⁽²⁾	6,027,500					
2006 ⁽²⁾	6,027,500					
Total	\$1,152,475,000					

BASIS SWAPS:						
<u>Swap</u>	<u>Notional Amount Outstanding</u>	<u>Swap Counterparty</u>	<u>Met Receives</u>	<u>Met Pays</u>	<u>Maturity Date</u>	
2004	\$125,000,000	JPMorgan Chase Bank	70% of one-month LIBOR + 31.5 bp	SIFMA	7/1/2014	
Total	\$250,000,000					

Source: Metropolitan.

These interest rate swap agreements entail risk to Metropolitan. The counterparty may fail or be unable to perform, interest rates may vary from assumptions, Metropolitan may be required to post collateral in favor of its counterparties and Metropolitan may be required to make significant payments in the event of an early termination of an interest rate swap. Metropolitan believes that if such an event were to occur, it would not have a material adverse impact on its financial position. Metropolitan seeks to manage counterparty risk by diversifying its swap counterparties, limiting exposure to any one counterparty, requiring



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Addressing Challenging Disclosure Items

- Issuer identifies the disclosure item and prepares initial draft of disclosure
- Deal team reviews draft disclosure for accuracy and completeness
- Underwriters know the questions that rating agencies and investors ask in evaluating the credit
- Hold Q&A session with issuer and counsel
- Resulting disclosure not only meets legal requirements, but also provides rating agencies and investors with the information needed to fully evaluate the credit



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Consistency Across All Formats is Important

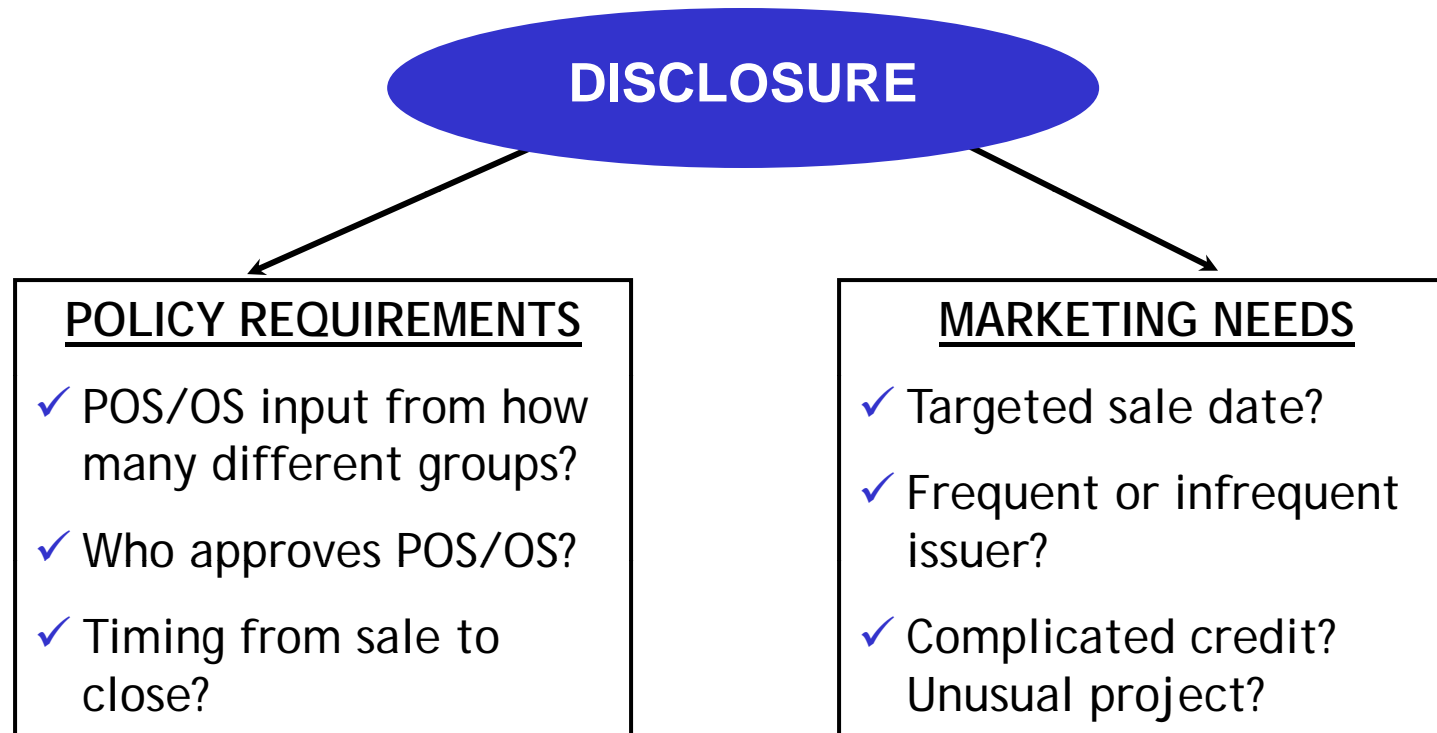
- POS/OS - primary disclosure document; must contain information which may be summarized in items below
 - ✓ Rating agency presentation
 - ✓ Internet Roadshow
 - ✓ Investor information handouts
 - ✓ Website

- Disclosure preparation timetable often a primary driver of the schedule for the overall financing



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Disclosure Process Impacts Deal Schedule



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New Developments for Underwriters

- Primary market and EMMA
 - ✓ Continuing disclosure
 - ✓ Access equals delivery

- Secondary market
 - ✓ Checklist recommendations

