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**CDIAC**

CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION

# Group Exercise Handout

February 2019

# Question 1



For the each of the bonds, connect the terminology below with its location in the official statement

**\$300,000,000  
CITY OF KING'S LANDING  
CERTIFICATES OF PARTICIPATION  
(KING'S LANDING RECONSTRUCTION PROJECT)  
2016 SERIES A**

Dated: Date of Delivery Due: July 1, as shown on the inside cover

The City of King's Landing Certificates of Participation, 2016 Series A (the "Certificates") are being executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2016, by and among Iron Bank N.A., as trustee (the "Trustee"), the City of King's Landing (the "City") and the King's Landing Public Facilities Corporation (the "Corporation"). The Certificates evidence proportionate undivided interests in the base rental payments (the "Base Rental Payments") to be made by the City pursuant to that certain Facility Lease, dated as of May 1, 2016, to be entered into by the City and the Corporation, pursuant to which the City will sublease from the Corporation certain real property and all the improvements thereon, as more particularly described herein. See "Security and Sources of Payment for the Certificates – Base Rental Payments" herein.

Interest evidenced by the Certificates is payable on January 1 and July 1 of each year, commencing on January 1, 2017. The Certificates will be delivered in book-entry form only and, when delivered, will be registered in the name of Littlefinger & Co., as nominee of The Gold Cloaks Trust Company, King's Landing ("CTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. Principal and interest payments evidenced by the Certificates are payable directly to CTC by the Trustee from Base Rental Payments. Upon receipt of payments of principal and interest, CTC will in turn distribute such payments to the beneficial owners of the Certificates. See Appendix D – "Book-Entry System" attached hereto.

The Series 2016A Certificates are subject to optional, extraordinary and mandatory sinking fund prepayment, as described herein. See "The Certificates – Prepayment" herein.

**THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE SEVEN KINGDOMS OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Certificates will be offered when, as and if executed, delivered, and received by the Underwriter, subject to the approval as to their legality by Eddard Stark & Sons LLP, King's Landing, Special Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City and the Corporation by the City Counsel. It is anticipated that the Certificates in definitive form will be available for delivery through the facilities of DTC in King's Landing, on or about July 1, 2016.*



Dated: May 1, 2016



**MATURITY SCHEDULE**

**\$300,000,000  
CITY OF KING'S LANDING  
CERTIFICATES OF PARTICIPATION,  
2016 SERIES A**

**BASE No.: 000001**

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price
2036*	100,000,000	3.00	3.00	
2036*	100,000,000	4.00	3.00	
2036*	100,000,000	2.00	3.00	

\* Subject to optional prepayment date of July 1, 2026 at par.

- Dated Date
- Delivery Date
- Maturity
- Principal
- Coupon
- Yield
- Call Date
- Call Premium

## Question 2

For each of the bonds, assume a 20-year maturity and identify the bond price and the terminology describing the type of bond

Coupon	Yield	Price	Terminology
3.0%	3.0%		
4.0%	3.0%		
2.0%	3.0%		

<b>85.042</b>	<b>Discount</b>
<b>100.000</b>	<b>Par</b>
<b>114.957</b>	<b>Premium</b>

# Question 3



For the each of the bonds, assume a 20-year maturity and identify the bond price and the terminology describing the type of bond

Coupon	Yield	Price	Terminology
2.0%	2.0%		
3.0%	2.0%		
4.0%	2.0%		
2.0%	4.0%		
3.0%	4.0%		
4.0%	4.0%		

<b>72.644</b>	<b>Discount</b>
<b>86.322</b>	<b>Par</b>
<b>100.000</b>	<b>Premium</b>
<b>116.417</b>	
<b>132.834</b>	

# Question 4

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Based on your answers above fill in the following:

When yields increase, bond price \_\_\_\_\_.

When yields decrease, bond price \_\_\_\_\_.

# Question 5



Assume the following bonds mature in 20 years.

- Which bond will have a difference in price with a 10-year par call? \_\_\_\_\_
- Based on your previous answer, will the bond price be higher or lower with a 10-year par call as compared to a non-callable bond? \_\_\_\_\_

Bond	Coupon	Yield
<b>A</b>	2.0%	3.0%
<b>B</b>	3.0%	3.0%
<b>C</b>	4.0%	3.0%

## Question 6

Based on the following bonds, what would be the principal amount of bonds needed to generate \$100 million in proceeds for each bond? (Round up to \$5,000)

Coupon	Yield	Price	Principal
4.0%	5.0%	92.205	
5.0%	5.0%	100.000	
6.0%	5.0%	107.794	

# Question 7



Based on the bond size you calculated for question 6, what would be the total debt service (principal & interest) assuming a 10 year term for the bond?

Coupon	Yield	Principal (from question 6)	Interest	Total Debt Service
4.0%	5.0%			
5.0%	5.0%			
6.0%	5.0%			