

BOND ISSUANCE PROCESS OVERVIEW

Adams 12 Five Star Schools

November 2016



J.P.Morgan

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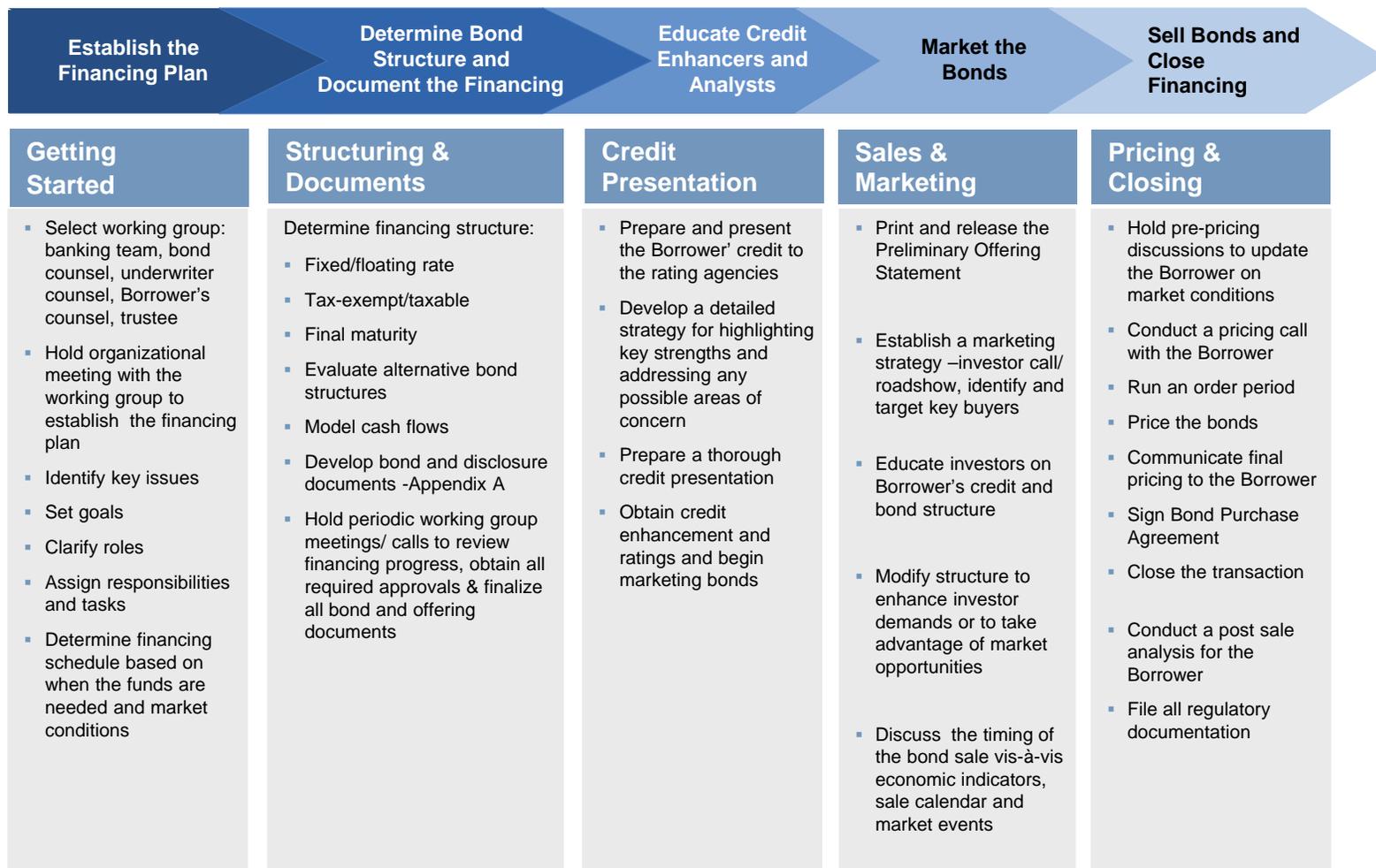
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Primary Steps in a Municipal Bond Financing



Preparations for Pricing

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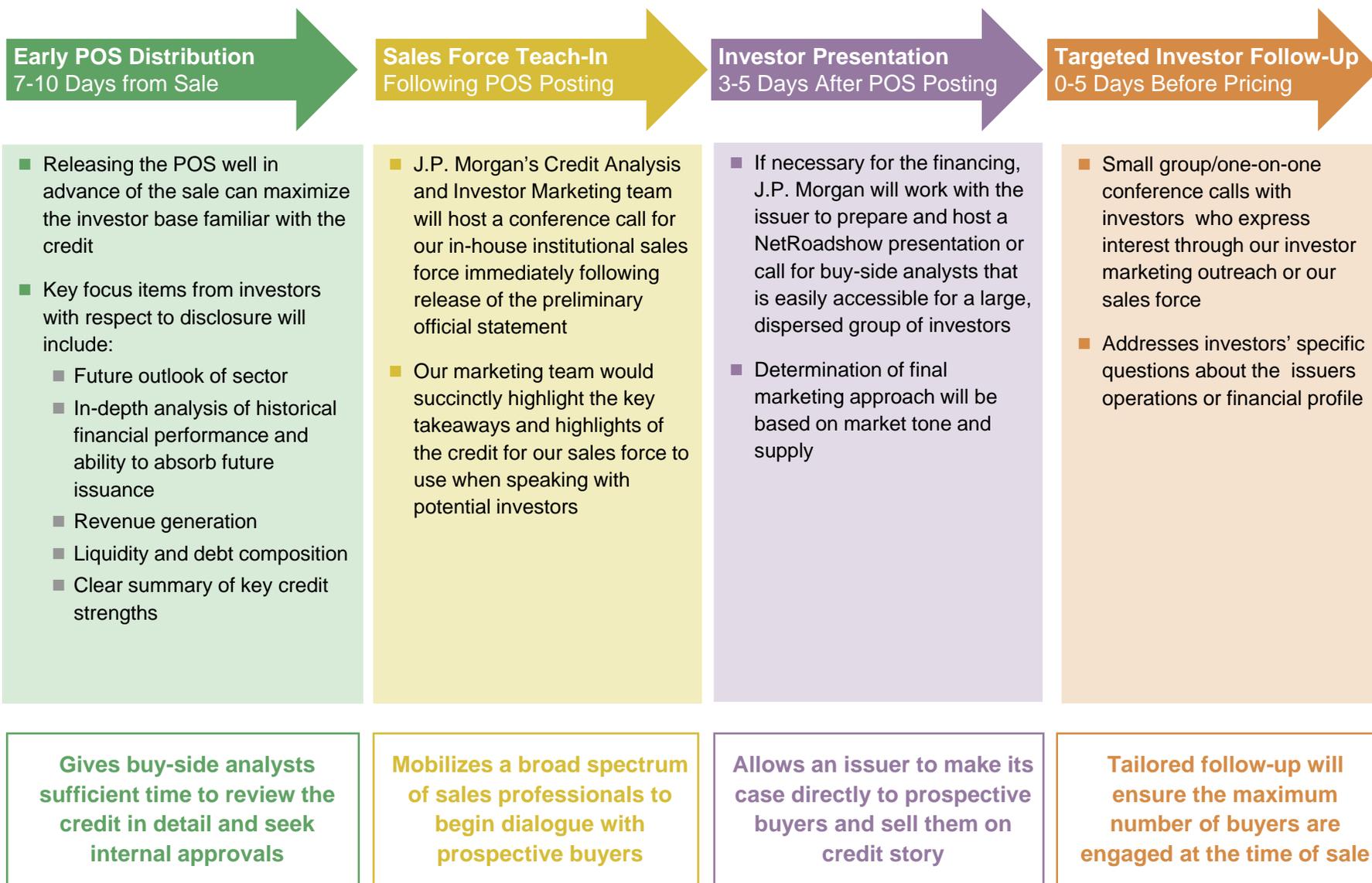
- Senior manager gathers relevant market information and shares with client and FA
 - Upcoming economic releases
 - Market conditions (e.g. rates movements)
 - Market “comps” and recent MMD
- Pre-pricing call on the day before pricing with issuer, underwriters and financial advisor to discuss:
 - Market conditions, competing transactions, supply, etc.
 - Recommended bond structure and pricing to “go out with” the next day (e.g. coupons, yields, call features)
 - Plans for release of the “pricing wire”, timing of the order period, etc. for the next day

Pre-Pricing Timeline

Time to Final Pricing	Task	Comments
Minus Two Weeks	“Mail” Preliminary Official Statement	<ul style="list-style-type: none"> ■ POS is often posted on a web site without physical printing
Minus One to Two Weeks	Pre-Marketing	<ul style="list-style-type: none"> ■ Sales desk talks up the sale to key buyers ■ Underwriter prepares a sales point memo ■ Syndicate prepares a market update ■ Issuer may have investor meetings and calls
Minus One Week	Pricing Analysis	<ul style="list-style-type: none"> ■ Financial advisor and investment banker assemble list of comparable sales ■ Monitor market for competing sales, major announcements
Minus Two Days (e.g., Monday Afternoon)	Pre-Pricing	<ul style="list-style-type: none"> ■ Underwriter proposes interest rates ■ Financial advisor and issuer analyze and respond ■ Agree to “going-out” scale

Investor Outreach Efforts

BOND ISSUANCE PROCESS OVERVIEW



Financing Team Roles

BOND ISSUANCE PROCESS OVERVIEW

Issuer and Issuer Support

Issuer

- Defining Financing Requirements
- Setting and Implementing Debt Management Policy
- Working with Available Resources
- Identify Services Required
- Establishing A Financing Process

Financial Advisors

- Assists in developing the financing plan
- Drafts or assists in the preparation of the preliminary Official Statement
- Assists in underwriter evaluation and selection
- Assists in preparing rating agency presentations
- Evaluates market conditions and pricing performance of senior manager

Bond Counsel

- Affirms issuer's conformity with all legal requirements and authorization of the bond offering
- Attests to validity and enforceability of the bonds
- Confirms tax-exempt status of offering
- Discloses and examines litigation that may jeopardize the validity of the offering
- Interprets arbitrage regulations and tax law and provides guidance in structuring issues
- Drafts certain documents, including the Resolution or Indenture Series Resolution, tax certificate and the Preliminary Official Statement
- Drafts enabling legislation
- Interprets existing legislation, Constitution and local finance law

Underwriting

Senior Manager

- Work with issuer and financial advisor to design the financing plan
- Assist in the development of bond documents as well as other negotiations
- Prepare rating agency strategy and presentations
- "Run Numbers" - quality of analysis and models to present alternative structures is key
- Pre-sale marketing
- Discuss timing for pricing
- Manage the pricing process
- Provide proceeds at closing and obtain funds from investors
- Prepare distribution analysis
- Provide secondary market support: orderly marketing research and analysis

Syndicate

- The main functions of a syndicate are distribution and sharing underwriting risk
- Composed of different types of firms
- Roles and capabilities should be well-defined from the outset

Underwriters' Counsel

- Share document drafting responsibilities with Bond Counsel, such as Bond Purchase Agreement and Blue Sky Memorandum
- Advise underwriters on their legal positions with respect to the issue

Additional Participants

Rating Agencies

- Assign ratings to the issue
- Update ratings periodically while the debt is outstanding

Trustee

- Act in a fiduciary role for the benefit of bondholders
- In certain issues, such as a COP issue, the trustee may also take on additional roles in the transaction

Syndicate Role Overview

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- The underwriters work with the bankers to optimize the structure and timing of a negotiated transaction based on:
 - Current market conditions
 - Investor appetite for premium, par or discount bonds
 - Various call structures
 - Updating pricing indications
 - Economic statistic announcements
- On the day of pricing, the underwriter interfaces extensively with the Issuer and Financial Advisor to discuss:
 - Market conditions before pricing
 - Strategy for execution
 - Preliminary pricing numbers to enter the market with for an order period
 - Orders placed during order period and determination of re-pricing on any maturities

