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What We Will Discuss

1. Who do the regulations affect most?
2. How much change is really expected in the General Market?
3. What about loans?
4. Credit
5. The Point

Why are we discussing this?
You’ll likely here a lot of new things in relation to financing in the coming months and years.

You may see a change in your interactions with market participants.
### Who do the regulations affect most?

<table>
<thead>
<tr>
<th>Who</th>
<th>How</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriters</td>
<td>Impact how we can talk to issuers.</td>
<td>Issuers may have been unclear who’s side we were on.</td>
</tr>
<tr>
<td>Municipal Advisors</td>
<td>Defines relationships, roles and standards.</td>
<td>Previously unregulated.</td>
</tr>
<tr>
<td>Issuer</td>
<td>Disclosure…kind of</td>
<td>Municipal market disclosure was previously viewed as weak.</td>
</tr>
</tbody>
</table>

### Who remains exempt? (select examples)

<table>
<thead>
<tr>
<th>Public Officials</th>
<th>Accountants</th>
<th>Registered Investment Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attorneys</td>
<td>Engineers</td>
<td>Other Professionals</td>
</tr>
<tr>
<td>Banks</td>
<td></td>
<td>Source: SEC Release No. 34-70462</td>
</tr>
</tbody>
</table>
How much change is really expected in the General Market?

Issuers Seem to Like
1. Predictability
2. Reliability
3. Process

Bond Investors Like
1. Predictability
2. Reliability
3. Liquidity
4. Credit quality

This may point to a continued healthy bond market

<table>
<thead>
<tr>
<th>Muni Bond Volume ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
</tbody>
</table>

Source: SIFMA
What about loans?

Issuer appeal
1. Speed
2. Easier documentation
3. The rates work now
4. No rating

Banks like
1. No mark to market
2. Good relationship
3. Good credit

A few of many reasons
1. Substantial reduction in letter of credit market
2. Aggressive pricing
3. Bond market regulations
Why do we keep highlighting credit?

Lenders want to know exactly how they’re getting paid…

<p>| | |</p>
<table>
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<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue obligations</td>
<td>Formally pledged and likely to survive bankruptcy?</td>
</tr>
<tr>
<td>General obligation</td>
<td>Where’s the money really budgeted to pay debt service?</td>
</tr>
<tr>
<td></td>
<td>Dedicated levy?</td>
</tr>
<tr>
<td></td>
<td>Abatement rules?</td>
</tr>
</tbody>
</table>

Really a different market relationship with risk.
How does this tie back to…

... TIF and Alternative Financing Tools/Instruments?

My observations have been:

Higher credit situations remain driven by rate and convenience.

Lower credit situations/emerging projects focus more on risk transfer.
What risks weren’t previously “priced”?

Approaches include(d):

Issuing general obligation debt with the expectation that development would repay somehow.

Long dated revenue debt based on development tenants letters of intent.

Special Service Area pay down bonds

- Political Risk
- Performance Risk
- Headline Risk
- Completion Risk
- Market Risk
- Capital Market Access Risk
How do I think this will change?

We can expect greater use of these tools

<table>
<thead>
<tr>
<th>Tool</th>
<th></th>
</tr>
</thead>
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<tr>
<td>Developer Notes</td>
<td>Shifting a lot of the risk</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>Clearly defining repayment source</td>
</tr>
<tr>
<td>Re-thinking development agreements</td>
<td>Services provided may change. Partner profit center may change.</td>
</tr>
</tbody>
</table>

Change is still scary, but you don’t have do it alone.

Loss of control – real or perceived
Planned development/zoning challenges
Change in assumptions about core governmental services
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<th>Are Not FDIC Insured</th>
<th>Offer No Bank Guarantee</th>
<th>May Lose Value</th>
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<tbody>
<tr>
<td>Are Not Insured By Any Federal Government Agency</td>
<td></td>
<td>Are Not A Deposit</td>
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