



### **(Issuance Policies)**

The CSCDA Community Improvement Authority (the “Authority”) Financing Policy is intended as a guide for the Authority and for applicants. While the Authority reserves the right, in its discretion, to approve exceptions, applicants should not expect any exceptions.

#### **(a) General Requirements – All Financings**

The following issuance policies relate to all financings issued through the Authority:

1. The city, county or local agency hosting the proposed project must be a member of the Authority.
2. Approval by the city, county or local agency hosting the proposed project as required under the Internal Revenue Code (if applicable).
3. Standard indemnification with respect to the financing and the project provided by the applicant to the Authority in the appropriate financing documents and/or funding (from proceeds and revenues) of an extraordinary expense account provided for in the financing documents in amounts satisfactory to the Authority to cover the same risks and costs that would be covered by indemnification.
4. Standard indemnification with respect to the issuance and sale of Bonds provided by the underwriter to the Authority in the purchase contract.
5. The Authority 's Counsel shall conduct a review of the financing documents for consistency with the Authority’s policies and form documents.
6. The Authority’s Executive Director and Program Manager shall conduct a review of the financing and the associated public benefits.
7. If offering material or a disclosure document is required, it shall contain language that the Authority takes no responsibility for the disclosures contained therein (except for information under the sections titled "THE AUTHORITY" and "LITIGATION" to the extent such information pertains to the Authority);
8. If offering material or a disclosure document is required, the applicant shall have its counsel deliver a 10b-5 opinion covering such document at closing. The contents of such opinion shall be to the satisfaction of the Authority and its Counsel.
9. No gaming facilities are to be financed.

#### **(b) Requirements for Financings Rated "BBB- or Baa3" or Better**

Financings that have been assigned a minimum of one investment grade credit rating<sup>1</sup> by Standard & Poors, Moody's Investors Service or Fitch Ratings will be subject to the issuance requirements below:

1. Bonds may be issued and sold through a public offering, private placement or limited public offering with appropriate disclosure or offering materials.
2. Bonds may be issued in \$5,000 or such other minimum denominations at the discretion of the applicant and approved by the Authority.
3. Bonds not sold to an “underwriter” within the meaning of the Securities Act of 1933 (for example, by private placement) shall be sold to purchasers who have executed a sophisticated investor letter in form acceptable to the Authority.

<sup>1</sup> The lowest investment grade credit rating by S&P and Fitch is BBB- and by Moody’s is Baa3.

(c) Requirements for Financings Rated Below "BBB-", or Non-rated

1. Bonds must be sold to purchasers that are "qualified institutional buyers" as generally defined under Rule 144A of the Securities Act of 1933 and/or "accredited investors" as generally defined under Regulation D of the Securities Act of 1933, in each case who have executed a sophisticated investor letter in form acceptable to the Authority.
2. The offering material/disclosure document, if any, shall prominently indicate on the cover that Bonds can only be sold to qualified institutional buyers or accredited investors, as applicable.
3. The face of each Bond shall contain a legend stating to the effect that such Bond can only be sold to qualified institutional buyers or accredited investors, as applicable.
4. The bond documents shall contain provisions that restrict the ability to transfer the Bonds to only qualified institutional buyers or accredited investors, as applicable.
5. Bonds may be issued and sold through a private placement or limited public offering with appropriate disclosure or offering materials.
6. Bonds sold to "qualified institutional buyers" or "accredited investors" as specified above shall be sold in minimum denominations of \$25,000 or greater.

(d) V. Criteria for Ownership (P3) Structure

1. Sponsor would agree to include structural and document protections of the Authority, set out in an outline prepared by Orrick Herrington & Sutcliffe based on its prior experience designing and implementing this structure. These protections will include (a) Disclaimers of contractual liability of any kind with respect to the bonds and all the other agreements to which the Authority is a party, (b) Disclaimer of responsibility for information contained in any disclosure document (other than the "Authority" and "Litigation" sections), (c) Adequate indemnifications or Indenture provisions for the funding of accounts with enough revenues, in the judgment of the Authority, from the project to cover any expenses the Authority may incur for any reason (budgeted and unbudgeted), and (d) Delegation as much as possible to the Bond Trustee, the Project Manager, the Project Administrator or the Program Financial Consultant of any additional responsibilities the Authority might otherwise have as a result of its ownership of the project.
2. Orrick shall be Issuer Counsel and Bond Counsel, and in such capacity would report to the Board any material adverse deviations prior to authorization of bonds and documents by the Board. Prior to commencement of bond related documentation, sponsor/applicant will have entered into an agreement with Orrick to pay its time-based fees and expenses in the bond issuance is abandoned or the bonds are not issued by an outside date.
3. In the event a disclosure document is prepared, any opinion rendered by disclosure or underwriters counsel would also be addressed to the Authority.
4. In event of private placement or limited offering, an investor letter would be required in connection with the original sale in form satisfactory to the Authority.
5. The Authority would select an Insurance Consultant, and the insurance required with respect to the project would meet or exceed the recommendations of the insurance consultant.
6. The Authority would not select, but would review the qualifications and concur in the selection of, the Project Manager.
7. The Authority would engage a Program Financial Consultant to act as the Authority's fiduciary financial consultant on the transaction, and post-closing to oversee performance of the Project Administrator (if any) and Project Manager, including formulation of budgets, performing other tasks of the Authority as owner, review post-issuance rebate, continuing disclosure and other tax and disclosure compliance, and report at least annually to the Board on the foregoing.

8. The Authority will, at its discretion, annually review the Insurance Consultant, Project Manager and Program Financial Consultant, and make any changes it deems appropriate, including replacement of any such party if it is in default or otherwise not performing satisfactorily, provided that CSCDA will not seek to change the Project Manager without concurrence of the Bond Trustee and any ground lessor, donee of the project or other holder of residential interests in the project, and subject to any conditions set out in the bond documents.
9. The foregoing are in addition to the usual provisions and procedures the Authority applies to approving traditional conduit financings.

**(Fee Schedule)**

Issuance Fee:	1%
Annual Administration Fee:	0.15%
	*Assessed against aggregate original principal issuance amount
	*Maximum annual fee of \$250,000