



WYERIVER

INDEPENDENT FINANCIAL ADVISORS

How An Effective Financial Advisor Can Make A Difference



CDFA (Council of Development Finance Agencies)
National Development Finance Summit

WYERIVER.COM

Financial Advisory • Derivative Advisory • Investment Advisory

Picking A Financial Advisor

- An effective Financial Advisor has proven
 - Subject Matter Expertise
 - Sector Expertise
 - Transaction Expertise
- Not just the Firm, but the specific individuals from the Firm

Subject Matter Expertise

- **Bond Markets (Tax-Exempt and Taxable)**
 - Trading / Pricing Levels and Relationships
 - Underwriting Spreads
 - Relevant Security and Covenant Requirements by Credit
- **Bank Market**
 - Variable Rate Credit Spreads
 - Fixed Rate Pricing and Terms
 - Security and Covenant Expectations and Areas of Negotiability
 - Market Sector Interest
- **Quantitative Analysis**
 - Bond Mathematics
 - Swap / Derivative Mathematics
 - Applicable Tax Laws and Regulations

Sector Expertise

- For Economic Development, interdisciplinary experience is important
 - G.O. Bonds
 - Tax Supported Bonds
 - Revenue Bond Alternatives
 - Credit Enhancement Alternatives
 - Tax Credit Structures
 - Other Funding Alternatives
- Market Sector knowledge is also essential
 - TIF/Special Tax Bonds
 - Renewable Energy
 - Housing (eg. Multi-Family, Retirement, Military)
 - Transit Oriented Development
 - Hotel/Conference Centers/Recreational Facilities
 - Charter Schools

Transaction Experience

- Negotiating Skills
- Team Management and Project Coordination Skills
- Willingness to Take Responsibility for Managing Transactions Costs (Professionals In Particular)
- Ability to Balance Creativity and Practicality
- Judgment to Help Client Assess Risk
- Ability to Manage To Win/Win Outcomes

Example #1

PRICING A PUBLIC OFFERING OF REVENUE BONDS

- A negotiated revenue bond issue implies there is a negotiation
- What needs to be negotiated?
 - Underwriting Fee (or Spread)
 - Management Fee
 - Takedown
 - Expenses
 - Interest Rates and Reoffered Yields
 - Sometimes Revisions to Transaction Terms
- An Underwriter acts essentially as a Principal (for its own account) and an Agent (for both the borrower and the investors) in a negotiated underwriting – an intrinsic and unavoidable conflict

Example #1 (cont'd)

PRICING A PUBLIC OFFERING OF REVENUE BONDS

- An effective Financial Advisor mitigates that conflict by negotiating bond pricing and final terms with the Underwriter to assure that the borrower secures the best financing outcome (Underwriting Spread and Interest Cost) consistent with
 - Prevailing market conditions
 - Pricing of comparable bond issues
 - Underwriting Spreads in comparable bond issues
 - Quality and amount of service provided by Underwriter
- An effective Financial Advisor will assure its client is fully informed with all of the relevant information and then serve as an advocate in securing a fair, reasonable and market supportable pricing outcome

Example #2

SECURING THE BEST OUTCOME FOR A BANK FINANCING

- Always investigate bank financing before resorting to the capital markets alternatives
- Current bank appetite for direct purchase tax-exempt bonds is robust
- Direct purchase financing is rapidly displacing letter of credit backed variable rate demand bonds
- *There is no substitute for a competitive solicitation!*
- Preferred competitive solicitation dynamics
 - Solicit every bank with a market presence
 - Provide comprehensive disclosure and a well organized Information Memorandum
 - Commit to promise that best price wins
 - Reserve right to negotiate non-market competitive security/covenant provisions with best bidder
 - Due diligence must be complete before bid submissions
 - Bid must be loan committee approved

Example #3

PICKING THE RIGHT TEAM FOR A NON-RATED PUBLIC OFFERING

- *A non-rated public offering of bonds should always be the financing alternative of last resort!*
- Picking an appropriate Financial Advisor
 - Prior non-rated bond structuring and pricing experience
 - Familiarity with institutional investors, the backbone of the non-rated market
 - Experience working with/on Feasibility Studies, Market Studies, Tax Increment Projection Studies and/or Rate and Method of Apportionment Reports
 - Process for assisting in selecting the best underwriter or underwriting team
- Factors in selecting an appropriate Underwriter(s)
 - Prior non-rated bond-underwriting experience
 - Relevant sector experience
 - Retail distribution capability
 - Institutional sales depth and distinctive approaches to marketing institutional prospects



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