Bond Issue Compliance and Due Diligence

Issuer Perspectives

Texas Women in Public Finance
New Regulatory Landscape is Driving Change in Public Finance Practices

- SEC Enforcement: Imposing Civil Penalties; Pursuing Issuers as well as Underwriters
- Underwriters: Rigor of the Due Diligence Process
- Underwriters: Internal Compliance Procedures, Underwriting and Credit Commitment
- Issuers: Preparation of Offering Document, Continuing Disclosure Procedures, Voluntary Disclosures (including private placements) as Discussed in Due Diligence Calls
- Municipal Advisor Rule: Role of Financial Advisor vs. Underwriter
- Selection of Underwriters’ Council
Due Diligence Call

- Goals
- Preparing for the Call
- Sample Questions/Responses
- Viewpoints
Goals

- Transparency
- Official Statement is Accurate and Complete
- Management’s “Big Picture” Matches the OS
Preparing for the Call

• Ask for Questions in Advance

• Assemble “Due Diligence Team”
  - Corporate Finance: CFO, Treasurer, Controller, Budget
  - Departmental Management: Director, their Financial and Legal Staff
  - Corporate Legal: Finance and Litigation
  - Your Financial Advisor
  - Your Bond/Disclosure Counsel

• Assign Each Question to a Team Member

• Schedule an Internal Meeting/Dry Run
Topics Covered

General Matters
Operational Matters
General Financial Matters
Revenue Supporting Bonds
Debts and Liabilities
Current Finance and Investments
Legal Matters
Continuing Disclosure Matters
Continuing Disclosure Matters

• Describe the procedures to ensure continuing disclosure compliance.

  Example:
  • Organize Permanent Files by Credit
  • Compile Requirements from Bond Ordinances and Official Statement Continuing Disclosure Sections of all current debt by Credit into a Master List
  • Update Master List After Each Bond Closing
  • Master List Contains Key Due Dates, File Locations, Filing Instructions for Compliance
  • Compliance is Documented in Permanent Files
Continuing Disclosure Matters con’t

• Have you failed to comply in any material respect with continuing disclosure requirements?

• Are any “listed events” in the process of being disclosed?

• Have any “listed events” occurred in the last five years that were not disclosed?