

Conduit Issuance Policy

The Florida Development Finance Corporation (“FDFC”) Conduit Issuance Policy (the “Policy”) should be used as a basis for applicants to understand the requirements for effectively navigating the FDFC’s approval process while also serving as the standard by which staff and the Board of Directors prepare and make approval decisions. The FDFC Board of Directors reserves the right, in its discretion, to approve exceptions, but waivers should not be expected.

1. Purpose

Per Section 288.9602 of the Florida Statutes, the FDFC was created as a special development finance authority to provide access to capital for project development. The promotion and advancement of these projects that assist, stimulate, rehabilitate, and expand all kinds of for-profit and not-for-profit business activity for new and existing businesses in the state is a priority for the FDFC. These financings are to create economic activity and job creation state-wide, and serve the greatest number of people in order to provide income, such as wages, taxes, fees, etc., to communities.

It is the continued desire of the FDFC to be a responsive and cost effective conduit issuer on project financings and refundings, while also meeting the legislative mandates of financing capital for Borrower clients and being active with economic development and redevelopment efforts. It is equally important to proactively position any FDFC financing to help assure that non-rated and non-investment grade rated bonds are initially sold and subsequently held in the secondary market by investors with appropriate levels of knowledge and sophistication to understand, and have the financial means to bear the risks associated with, investing in non-rated and non-investment grade rated bonds.

2. General Requirements

- 2.1. All projects financed through FDFC shall be monitored, but for a minimum of seven years, to measure performance against projections and to measure performance of certain quantitative metrics set forth in the resolution approving the project.
- 2.2. The Borrower and the underwriter shall comply with the Continuing Disclosure requirements of SEC Rule 15c2-12, either by the necessary updates and filings to EMMA and the Bond Trustee, or via the retention of a nationally recognized Dissemination Agent, and shall, at least annually, demonstrate such compliance to FDFC with a copy of required annual filings and any material event notices.

- 2.3. The Borrower shall be required to certify that any offering document used in connection with the offer and sale of the bonds does not contain an untrue statement of a material fact or omit to state a material fact which should be included for the purpose for which the offering document is intended to be used, or which is necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.
- 2.4. Underwriter's counsel or disclosure counsel shall be required to provide a 10b-5 opinion or reliance letter for its opinion to the FDFC regarding the fairness and accuracy of any offering document used to sell bonds.
- 2.5. The underwriter shall provide a certification to the FDFC of its compliance with sale restrictions and applicable securities regulations.
- 2.6. A municipal advisor, selected in accordance with Paragraph 4 herein, will be retained on all transactions to review and advise the FDFC as to the reasonableness of the price of the bonds, the underwriting spread and the costs of issuance. Immediately subsequent to the sale of the bonds, the municipal advisor shall provide a written opinion concerning the fairness or reasonableness of the price of the bonds and the fairness or reasonableness of all fees and expenses, including the underwriting spread and the costs of issuance.
- 2.7. When the municipal advisor is hired by the Borrower, the municipal advisor shall, in addition to the opinion required in paragraph 2.6 above, provide a reliance letter to the FDFC as an addressee, and the Borrower shall provide an acknowledgement of the schedule of transaction expenses.
- 2.8. A municipal advisor must also provide a certificate regarding the appropriateness and suitability, pricing, and fair market costs, of any interest rate derivative, such as a cap, collar or interest rate swap, on any Bond or Note sale, or any investment of bond proceeds or flex repo agreement, or open market escrow account (versus SLGs) for a refunding. Borrowers must submit the following items with applications for projects that propose use of derivatives:
 - 2.8.1. Documentation that the Borrower's governing board has been notified, educated, and has approved the use of the derivative product;
 - 2.8.2. Narrative on the purpose or why the derivative makes financial sense for the Borrower.
 - 2.8.3. Credit analysis/structuring/numbers/risks/fees/term sheets for derivative.
- 2.9. The Borrower shall indemnify and hold the FDFC harmless from any securities law violations.
- 2.10. Except for refundings, refinancings or other forms of restructuring of debt that place a Borrower in a better financial position, FDFC will not consider any applications for financing that do not include construction. Applications for financing of only land, marketing, pre-construction expenses or other soft costs that do not provide for improvements to real property will not be considered.

- 2.11. FDFC Staff will review and analyze each application to determine if the proposed project furthers the purpose of the FDFC per pursuant to section 288.9602, Florida Statutes, and that the Borrower has provided sufficient evidence in the form of projections or positive cash flow that the project is financially feasible and by demonstrating the ability to repay investors. For refundings, the Borrower should show savings and provide a summary of its business and economic impacts on the local community. The Board shall review the justification for each project or financing and make a specific determination of how such project or financing furthers the purpose of the FDFC.

3. Processes

3.1. Application

- 3.1.1. A pre-application meeting/call is required prior to submittal.
- 3.1.2. The Executive Director and other Staff shall use their best judgment and discretion to navigate and expedite this process. Authority to enter into and execute all inducements or Declaration of Intent issued by the FDFC is given to the Executive Director.
- 3.1.3. The Executive Director shall make a determination if an additional “good-faith” check is requirement and the amount.
- 3.1.4. All application and support materials should be submitted in electronic format and clearly marked. All requested materials should be submitted unless waived at the discretion of the Executive Director.
- 3.1.5. Once a complete application is submitted, the Executive Director shall determine and schedule a presentation by the Borrower and their finance team for the next available Board of Directors’ meeting.
- 3.1.6. When all bond documents are in substantially final form, the Executive Director shall make the determination to bring the financing before the Board of Directors for final approval. FDFC Staff shall create a project summary which includes justification for the proposed project based upon job creation or other quantitative metrics and shall include the information listed in Appendix “A” for the Board Agenda packet. Any credit quality issues shall be noted in the project summary for the Board’s consideration in evaluating the project.

3.2. TEFRA (required for tax-exempt bond issuance only)

- 3.2.1. At the discretion of the Borrower, the Executive Director will start the TEFRA public hearing process prior to the initial presentation to the Board of Directors or wait until after the initial presentation. The Borrower shall bear all costs should the Board of Directors not wish to proceed with the financing.

- 3.2.2. Once the TEFRA requirements for notice and a public hearing are completed and the project has received final approval by the Board of Directors, the FDFC will submit a TEFRA packet to the Governor's Office or their designee for TEFRA Approval. The TEFRA packet shall include the information listed in Appendix "B".
- 3.2.3. Upon receipt of TEFRA Approval, the Borrower's finance team may proceed with pricing the bonds.

4. Selection of Professionals by FDFC

- 4.1. The FDFC shall use a competitive process to select all service providers in connection with review and approval of transactions and the offer and sale of bonds.
- 4.2. All service providers to FDFC, including bond counsel, issuer's counsel and municipal advisors, shall be selected by the Board pursuant to a solicitation document such as a Request for Proposals or a Request for Qualifications. The solicitation process set forth in the solicitation document shall utilize a selection committee, at least one member of which shall be independent of the FDFC, specific scoring criteria, evaluation and ranking of responses after independent scoring of responses by members of the selection committee, and a blackout communication period to prohibit lobbying during the selection process, and award pursuant to the solicitation document shall be subject to approval by the Board.
- 4.3. Borrowers may propose the hiring of their own finance professionals, subject to review and approval by FDFC. FDFC shall evaluate the professionals proposed by the Borrower to ensure firms are qualified and that the terms and conditions of the engagements, including fees and expenses, are fair, reasonable, and appropriate. The Borrower should submit the names, contact information and qualifications for all professionals it proposes to utilize for the transaction with its application.
- 4.4. The FDFC's issuer's counsel shall review all transactions.
- 4.5. Either FDFC's municipal advisor or a municipal advisor selected by the Borrower and approved by FDFC as set forth in paragraph 4.3 above shall be engaged in the transaction to render a fairness opinion regarding the interest rate on the bonds and fees and expenses on the transaction.

5. Investment Grade or Higher Rated Transactions

- 5.1. The transaction must achieve a minimum of one investment grade credit rating by S&P Global Ratings, Moody's Investors Service, Fitch Ratings or other service. This is typically evidenced by either a rating of "BBB-" or higher from S&P Global Ratings or Fitch Ratings, or "BAA3" or higher from Moody's Investor Services.
- 5.2. Minimum Denominations: \$5,000.

- 5.3. Method of Sale: public offering, direct or private placement, or limited public offering with appropriate disclosure or offering materials, as reviewed and approved by the FDFC.

6. Non-rated or Non-investment Grade Rated Transactions

- 6.1. This section shall apply only to applications for non-rated or non-investment grade rated bonds to be issued by the FDFC after the effective date of this Policy and bonds which are initially issued with an investment grade rating, but subsequently become non-rated or non-investment grade rated for any reason. FDFC shall be provided any SEC 15c2-12 Material Event Notice filings, including rating downgrades or rating withdrawals, as a means by which to monitor this Policy post issuance.
- 6.2. The sale of either non-rated or non-investment grade rated bonds shall be limited to Qualified Institutional Buyers ("QIB") 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, subject to the minimum denomination limitations set forth below.
- 6.3. Minimum Denominations and Method of Sale
- 6.3.1. A limited offering or public offering to be sold only to QIBs shall have the following minimum denominations:
- \$100,000 and \$5,000 increments in excess thereof, with a traveling investor letter; or
 - \$250,000 and \$5,000 increments in excess thereof;
- 6.3.2. A limited offering or public offering to be sold to QIBs and Accredited Investors shall have the following minimum denominations:
- < \$10,000,000 (Par Amount): \$250,000 and \$5,000 increments in excess thereof;
 - ≥\$10,000,000 (Par Amount): \$500,000 and \$5,000 increments in excess thereof;
- 6.3.3. The offering document for such bonds shall include appropriate primary or initial disclosure of the restrictions described in this Policy, which shall be verified by the Executive Director, municipal advisor, and/or Issuer's Counsel.

6.4. Sale Restrictions

6.4.1. The Executive Director or Municipal Advisor will confirm the identity of the initial QIBs or Accredited Investors via either a QIB letter from the investor, IPREO confirmation of QIBs or Accredited Investors, or Investor Letters, with support, as needed, from the Underwriter.

6.4.2. If a system is ever developed to flag non-rated bonds with restrictions on retail sales, FDFC will endeavor to utilize the system to ensure its restrictions on resales or secondary market transactions are properly enforced.

6.5. Investor Letter: The initial letter shall be provided to FDFC at closing. The Executive Director, following a review of the application, may also require a Traveling Investor Letter on a financing or refunding based on the nature of the project financing and the Borrower's credit history as noted in the FDFC application.

7. Economic Impacts

7.1 On an annual basis or at a frequency set forth by resolution of the Board, which shall be a minimum of seven years, FDFC shall be provided reports on performance against projections, job creation and economic development data, and other financial information from the Borrower to measure the Project against set quantitative metrics, as well as the required annual Continuing Disclosure filing(s).

8. Fees

8.1. The FDFC is to be reimbursed, and held harmless, for and from any out-of-pocket costs related to the actual or proposed issuance of revenue bonds. The FDFC shall establish the following two (2) types of fees:

8.1.1. Application Fee and Good-Faith Check. A non-refundable processing fee of \$1,500 must be submitted with the application. Any application fee collected will be netted from the final invoiced Issuance Fee. Subject to the discretion of the Executive Director, a good-faith check to be held in escrow until closing may be required that will be capped at a maximum of 25% of the estimated FDFC Issuance Fee based on complexity and other risk factors. This check will be cashed if the bond issue does not close in a reasonable amount of time at the discretion of the Executive Director to pay for reasonable costs incurred.

8.1.2. Tiered Issuance Fee Schedule. The FDFC does not require an annual fee. Upon closing, a one-time Issuance Fee is due and payable to the FDFC based on the following cumulative fee schedule within each tier:

Min. Par Amount		Max. Par Amount	Basis Point	Tier
	<	\$2.5M	75	I
\$2.5M	<	\$32.5M	25	II
\$32.5M	>		10	III

8.1.3. Special Circumstances. In circumstances where a Borrower is faced with multiple conduit options and certain considerations are needed to justify the utilization of the FDFC to finance the Borrower’s project, the Executive Director is given authority to negotiate an appropriate fee structure on a per bond or flat fee basis. The Executive Director must give an account with sufficient evidence to the Board of Directors justifying any deviation from the Tiered Issuance Fee Schedule. The Board of Directors will vote on all negotiated fee structures at the Initial FDFC Board of Directors Presentation. The Borrower shall provide ample reason(s) for such a request and evidence such as a reduction in the overall Cost of Issuance fees from other professionals as part of the associated bond for which the application was submitted.

8.2. Bonds that do not close within one (1) year of Initial FDFC Board of Directors Approval. Should any bond issue fail to close, the Borrower will reimburse the FDFC and any professionals it has engaged for reasonable time and expenses. Unless a good-faith check was required, an invoice may be sent to the Borrower for up to 25% of the estimated Issuance Fees. The Executive Director is given discretion as to when the invoice is sent to the Borrower. Should the Borrower restart the process for the same issue within six (6) months of payment, the invoiced amount will be netted from the total Issuance Fee.

Approval Date: May 3, 2017

Appendix "A"

Project Summary

1. Borrower:
 - a. Entity Type (for-profit or not-for-profit)
 - b. Location
 - c. Principal Contact
 - d. Description
2. Project
 - a. Description
 - b. Site Location
 - c. Start and Completion Date
 - d. Project Costs (Sources and Uses of Funds)
 - e. Justification or purpose of project
 - i. Jobs created (temporary or permanent)
 - ii. Economic impact
 - iii. Designated performance metrics
 - iv. Financial and Operational Projections
 - f. Financing Structure
 - i. Type (Direct / Private Placement, Limited Offering, Public Offering)
 - ii. Not-to-exceed amount
 - iii. Private Activity Bond Allocation, if needed
 - iv. Bond Ratings
 - v. Minimum Denominations
 - vi. Investor Letter requirement
 - vii. Credit Enhancement
 - viii. Maturity Date
 - ix. Amortization Schedule
 - x. Fixed or Floating Rates
 - xi. MADS amount
 - xii. Additional Reserves
 - xiii. Estimated Rates
 - xiv. Principal and Interest payment dates
 - xv. Interest-only Period
 - xvi. Capitalized Interest Period
 - xvii. Debt Service structure; Series v. Term
 - xviii. Debt Service Reserve Fund funding level
 - xix. Additional Bonds Test requirements

3. Security/Lien Structure:
 - a. Security Interest
 - b. Collateral
 - c. Revenue Pledge
 - d. Backstop/Guarantee
 - e. Lien Priority
 - f. Projected Debt Service Coverage and annual projections of cash flows (including revenues and expenses)
4. Tax-exempt v. Taxable Debt
5. Quantitative Demand for Project

Appendix “B”

1. TEFRA-related materials
 - a. TEFRA notice/advertisement
 - b. TEFRA Attendance Log
 - c. TEFRA Resolution.
 - d. Minutes of TEFRA meeting or video of meeting
2. Non-TEFRA material
 - a. FDFC Project Summary
 - b. Bond Resolution and all attachments, Executed
 - c. FDFC Meeting Minutes
 - d. Cost of Issuance breakdown by each professional
 - e. Distribution List showing all professionals
 - f. Preliminary Offering Document
 - g. Financial Statements for the last 3 years for the entity on whose behalf bonds will be issued (and any guarantor).
 - h. Term sheet or private placement memorandum.
 - i. Trust Indenture.
 - j. Loan Agreement or Credit Agreement.
 - k. Copies of ratings reports for rated transactions.
 - l. Feasibility study, if any.