

BLX GROUP LLC

FIRM OVERVIEW





ABOUT BLX GROUP®

BLX Group is a fintech company providing solutions to clients in the municipal and nonprofit sectors based on focused processes, a broad perspective on the public finance market, and exceptional longevity of professional experience.

Founded in 1989, BLX is a subsidiary of Orrick, Herrington & Sutcliffe LLP, a global law firm recognized as a leader in the U.S. public finance sector.

BLX professionals offer a wide range of pre and post-issuance advisory services to issuers, borrowers, and obligated persons of municipal offerings from strategically located offices across the country. Our services include arbitrage rebate consulting and post-issuance tax compliance, continuing disclosure, tools for managing swaps and acquiring structured investments, bond pricing advisory, program administrative services, and more.

Background

Tax-exempt public financing is a cornerstone of U.S. capital markets, supporting municipal infrastructure and nonprofit institutions that are central to everyday life.

The increasingly complex regulation of municipal securities transactions places burdens on governmental and nonprofit finance officers responsible for oversight. The need for accuracy and timeliness – to meet tax and securities' laws, reporting requirements and disclosure obligations, as well as to maximize yield on investment of bond proceeds – is more crucial than ever.

These functions demand precision. BLX draws upon its extensive knowledge to support municipal offerings. We have decades of experience, harnessed through advanced processes, methodologies and technology, all geared towards serving state and local governments and agencies, as well as not-for-profit organizations across the U. S.

BLX Group® Pillars: Building Upon a Solid Foundation

Perspective

Those who manage tax-exempt bond issuance for a municipality or nonprofit entity must deal with a number of challenging tasks: continuing disclosure obligations; timely and complete filing of detailed reports mandated by the IRS, MSRB and other agencies; maximizing returns on bond proceeds; managing the use of their facilities; and more. Additional complications include frequent changes in laws, regulations, court decisions and administrative rulings as well as shifts in interest rates and market conditions.

Staying abreast of all this can be a burden for busy municipal finance or nonprofit executives, but navigating municipal finance is what we do.

Our advice is informed by the in-depth knowledge and experience of our professionals, and the exceptional variety and scope of our engagements. Our broad perspective is further enhanced by our affiliation with Orrick, a nationally recognized law firm engaged in a wide range of public finance transactions. This level of access enables us to monitor the continual changes in the municipal finance environment, to understand their potential impact on our clients, and to develop strategies that help protect and advance each client’s interests.

Process

BLX draws upon the extensive knowledge of our professionals, supported by our proprietary technology, to deliver a broad range of services and solutions to tax-exempt bond issuers, borrowers, and obligated persons.



CITY OF SEATTLE

BLX has been managing arbitrage rebate compliance for the Seattle City Light Department since 1999. BLX undertook a complex and lengthy reallocation analysis for bond issues structured under a parity reserve by the department. Working closely with city staff and the IRS, BLX obtained a \$1.2 million rebate overpayment recovery for them. This refund opportunity was overlooked by the former rebate compliance provider and highlights the team’s overarching goal of calculating the lowest legally permissible liability each and every time.



SAN FRANCISCO INTERNATIONAL AIRPORT (SFO)

Since 1992, BLX has been providing arbitrage rebate consulting services to SFO for a variety of debt ranging from commercial paper to variable rate bonds. The underlying rebate computations factor in complex multi-purpose allocations, multiple refinanced bonds, and a large parity reserve allocation. BLX's work gave way to three IRS payment refund claims totaling over \$3.2 million.

Tax-exempt financing requires diligent adherence to complex federal and state regulations, tax code, reporting requirements, disclosure obligations and governance practices, many of which require periodic monitoring.

BLX utilizes methodologies and online platforms to address the broad range of requirements our clients must meet. Our processes include multiple levels of rigorous internal and external checks and balances to ensure accuracy. For example, our arbitrage rebate and private use reports are evaluated by peer professionals and senior tax attorneys at Orrick. Our swap and investment bidding services are supported by state-of-the-art software for real-time and precise solutions.

The requirements that we help our clients meet are challenging, but our goal is simple: to help clients make effective use of tax-exempt finance, with transparency and the least amount of exposure to market or regulatory risk.

Experience and Longevity

BLX was founded over 35 years ago as the Financial Services Group of Orrick. Since our inception, BLX has expanded into a nationwide network of professionals providing advisory, compliance, and program management services to the public finance sector.

Most of our senior professionals have been with the firm for many years and have decades of experience in municipal finance, during which they have handled a broad range of engagements for a wide variety of clients.

The importance of longevity to our clients cannot be overstated. Our team members are familiar with the legal and regulatory constraints within which our clients must operate. The needs and expectations of officials at the IRS and other regulatory agencies are at the forefront of our consulting services.

Finally, municipal finance projects have lifespans of years and decades. Our clients know that BLX professionals who advise them today will be part of their team for years to come. They will be familiar with the client's requirements, practices and resources, enabling them to provide continuity in the event of staff turnover.

Arbitrage Rebate

BLX offers personalized service and proven solutions for managing complex arbitrage compliance projects. We bring decades of experience, creativity, and national resources to serve the nation's largest and most demanding issuers, as well as the smallest.

Given the timeframe of most tax-exempt bonds, compliance strategies need to be based upon expectations for market conditions over the life of the issue. Regardless of the interest rate environment, issuers should have the procedures, policies and documentation in place to comply with regulatory requirements now and in the future.

With procedures and insights developed over the course of preparing more than 100,000 arbitrage analyses, the standard scope of BLX arbitrage compliance services includes:

- Verifying whether the issue is subject to IRS arbitrage rebate requirements;
- Identifying and accounting for "Gross Proceeds" of the bond issue;
- Calculating bond yield and any excess investment earnings that may result in rebate or yield restriction liability or penalty;
- Determining if exceptions are applicable to the bond issue;
- Delivering documentation to support all calculations;
- Providing an executive summary that identifies the methodology, assumptions and calculations used;
- Delivering a legal opinion by a nationally recognized tax counsel, stating that the arbitrage rebate analysis was prepared in accordance with federal law;
- Providing all IRS documentation and instructions if a payment to the IRS is required; and,
- Complimentary access to the BLX Portal which offers real-time access to data from our arbitrage tracking database as well as a secure way of sharing documents.

Post-Issuance Compliance

The IRS has made it clear that post-issuance tax compliance by issuers and borrowers of tax-exempt bonds is a high priority for them.

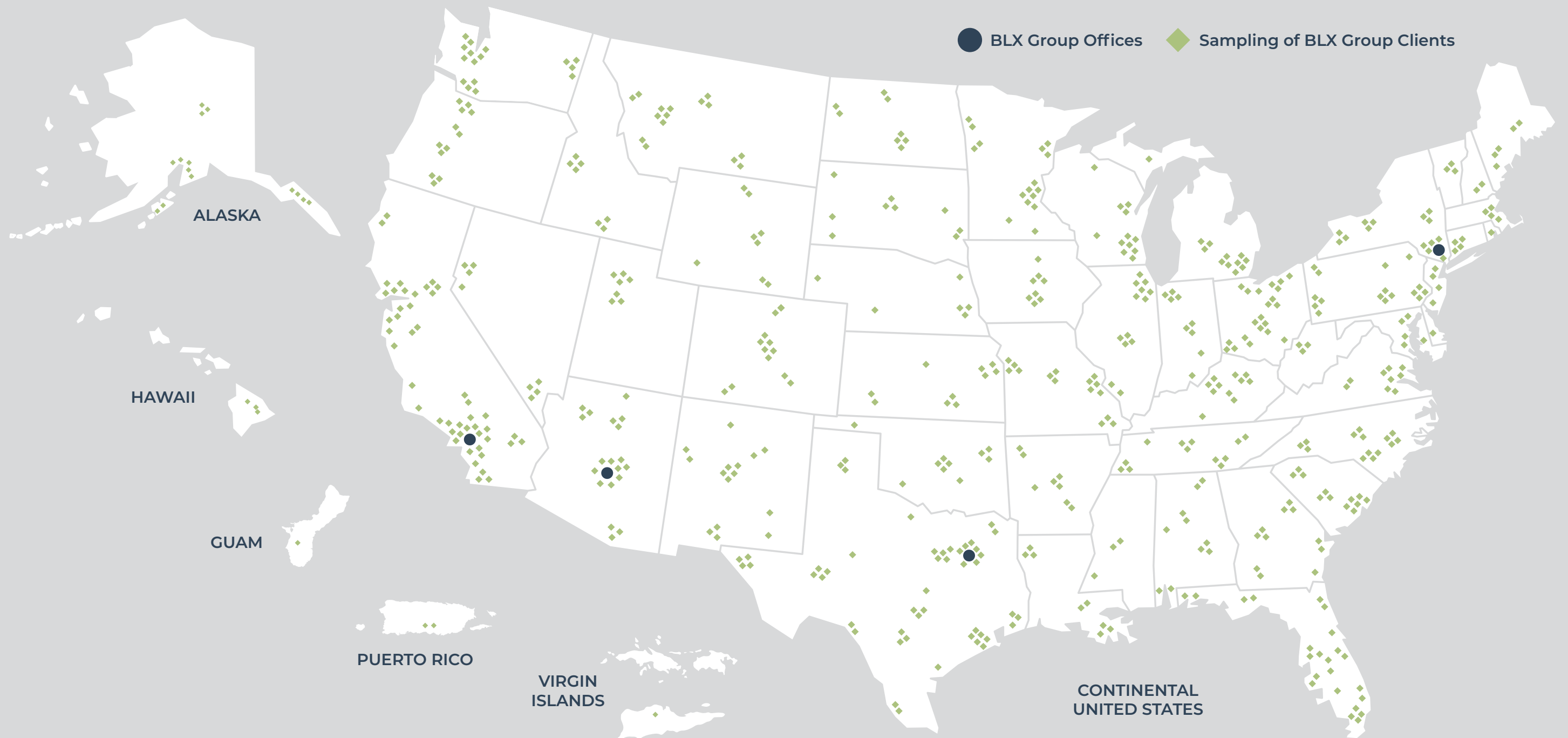
Issuers and borrowers must be able to demonstrate that their compliance measures are complete, accurate, and timely. They must also be prepared to respond to such regulatory measures as audits, physical examination of bond-financed facilities, and close review of the use of these facilities.

IDAHO HOUSING AND FINANCE ASSOCIATION



Idaho Housing has been a client since BLX was founded in 1989. BLX oversees the arbitrage compliance program for Idaho Housing's large portfolio of single family mortgage bonds.

BLX consultants have successfully navigated through multiple indentures established for hedged and unhedged variable rate debt, and have prepared dozens of loan yield analyses for variable rate bonds prior to their conversion to fixed rate. BLX has also provided swap monitoring services and has worked closely with Idaho Housing to obtain a positive outcome on several IRS audits.



BLX professionals in strategically located offices in Dallas, Los Angeles, New York, and Phoenix offer a wide range of advisory services to issuers, borrowers, and obligated persons of municipal offerings. The services we offer include arbitrage rebate consulting and post-issuance tax compliance, continuing disclosure, sustainable finance consulting, tools for managing swaps and acquiring structured investments,

bond pricing review, and program administration services. From Alaska to Florida, the Virgin Islands and Puerto Rico to Guam, New Hampshire to Hawaii, BLX has provided services to municipalities across the United States. To learn more, please visit: blxgroup.com

CITY OF ORLANDO



Since 1998, BLX has been preparing comprehensive arbitrage rebate analyses for the City of Orlando. The reports account for transferred proceeds associated with multiple refunding bonds, as well as proceeds commingled in a large parity reserve fund. The assigned team of post-issuance compliance professionals at BLX prepared turn-key allocation and optimization analyses to minimize the City's arbitrage rebate liabilities.

Due to heightened scrutiny, issuers and borrowers of tax-exempt debt must pay close attention to post-issuance obligations. Many issuers and borrowers now recognize that understanding and meeting these obligations may be beyond the capabilities of their inhouse resources, and turn to BLX for assistance.

Comprehensive post-issuance tax compliance oversight by BLX can help ensure regulatory compliance, enable efficient and prompt response to an IRS audit, provide for a streamlined review process at refunding, and allow issuers and borrowers to make educated decisions about potential future use of their facilities.

Post-issuance tax compliance services offered by BLX include:*

- Comprehensive review of expenditure and use of bond proceeds;
- Review of agreements with private parties related to the use of bond-financed facilities, including management and service contracts and sponsored research agreements;
- Annual review and calculation of private business use %;
- Preparation of IRS Form Schedule K for nonprofit organizations;
- Review and development of post-issuance compliance policies and procedures;
- Preparation of tailored checklists to support compliance with bond document requirements; and,
- Assistance in responding to IRS inquiries.

Continuing Disclosure

BLX has the in-depth knowledge to help issuers and obligated persons meet these compliance obligations.

BLX continuing disclosure services include reviewing continuing disclosure agreements, assembling the required disclosure information, preparing the content of annual reports and event notices, formatting these reports and notices, verifying that they contain the information agreed to be provided, and disseminating them by the required dates.

In addition, BLX has developed a service for underwriters to assist with their evaluation of an issuer's or obligated person's historical continuing disclosure compliance prior to a new bond financing.

* While BLX does not offer legal services, our parent firm Orrick can provide legal advice.

BLX Group: Technology-supported Solutions for its Clients

Swap Monitoring

For government and nonprofit entities, swaps (and other derivatives) can be powerful tools for managing risk and structuring debt, but can be complicated and sophisticated financial instruments. Without specialized professionals, it can be difficult to know how to manage a swap during its lifetime.

BLX is an MSRB/SEC registered municipal advisor and has dedicated resources to provide derivative monitoring services designed for governmental and nonprofit clients. Our services are designed solely for the end-user of swaps, and include:

- On-going accounting compliance services for GASB 53 & 72, FASB 133 & 157 (Topics 815 & 820); and,
- On-going swap monitoring through BLXSwap™.

BLXSwap™

BLXSwap™ provides end-users with a specialized tool for monitoring the value of their derivatives portfolio. By their nature, swaps change in value over time, and these changes must be recorded in financial statements in terms of fair market value. BLXSwap enables our clients to monitor their swaps at any time, from any location, through a secure web portal that delivers daily swap values, counterparty ratings, trade details and other current information needed for portfolio and risk management.



The City of Cleveland has been a BLX client since 2006. BLX consults on an arbitrage compliance program for credits related to airport, water, and power projects.

BLX has prepared sophisticated rebate computations which account for transferred proceeds stemming from numerous refunding bonds, as well as an extensive parity reserve allocation analysis. BLX was also able to assist this client in obtaining two refund claims totaling over \$1.4 million.

Structured Investments and Defeasance Escrows*

Since 2008, BLX has placed over 550 structured investment products, including escrow portfolios. We utilize a competitive bid process to acquire structured product investments and portfolios of escrow defeasance securities on behalf of our clients. Examples of structured products are collateralized and uncollateralized investment agreements, forward delivery agreements and repurchase agreements.

Our depth of resources, regulatory knowledge, and ability to custom-design and implement sophisticated structured product strategies are among the reasons some of the nation’s largest issuers turn to BLX for these services.

BLXBID™

All of our competitive bids are conducted through our proprietary application, BLXBID™, a web-based secure platform for conducting online auctions of structured products and escrow defeasance portfolios.

BLXBID enables us to conduct time sensitive sealed-bid auctions online, with each submitted bid known only to the bidder until the auction has ended. Upon the close of the bid window, bids submitted during the auction are automatically tabulated in real time and presented to the client for evaluation.

With BLXBID, clients can view the process of the auction in real time and are immediately presented with the results so they can quickly make the determination to award or not. Both clients and bid participants have permanent online access to their deal records, to help ensure efficient, convenient and accurate record-keeping and compliance.

Bond Pricing Advisory Services

Debt issuance requires clear foresight, and astute analysis and advice. With BLX’s commitment to independence and integrity, our experienced team supports market participants with independent bond pricing advice.

Thoughtful analysis is central to the critically important bond pricing stage. Understanding the volatility of public markets, as well as economic cross-currents, BLX supports its clients throughout the bond pricing process; we participate in pricing-related discussions, review the cost/benefit of proposed credit enhancement alternatives, and evaluate factors impacting the attractiveness of alternative pricing dates. Ultimately, our aim is to develop recommendations that support our clients with a detailed rationale for given offering yields.

Program Administration Services

BLX offers a variety of specialized post-issuance compliance and program administration services to our clients throughout the U.S. Our offerings include, but are not limited to, the following:

- Structured Finance Bond Program Administration;
- Tobacco Settlement Revenue (TSR) Allocation and Monitoring;
- Working Capital Analysis;
- Hedge Bond and Endowment Fund Monitoring; and,
- Distribution Date Reporting Services.

Our program administration offerings are supported by BLX Digital, our team of software engineers. They are available to build complex cash flow and financial modeling software, automate true up calculations, streamline data ingestion and organization, or develop collaborative and secure web-based portals allowing stakeholders access to various reports and calculations.

BLX pioneered the first comprehensive package of tobacco bond program administrative services for the New York Counties Tobacco Trust I pool over 24 years ago. Since then, BLX has been engaged on an additional 49 separate tobacco securitization bond issues (several of these involved pool transactions), aggregating more than \$42 billion, thereby making us the market leader in this sector.

* For Municipal Entities and Obligated Persons.



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