

B #:	13531-20
Date:	June 16, 2020
To:	All Participants
Category:	Underwriting
From:	Underwriting
Attention:	Managing Partner/Officer, Operations, Underwriters, Agents, Trustees, Issuers, Issuer's Counsel, and Other Affected Parties
Subject:	Variable Rate Demand Obligation ("VRDO") Failed Remarketing's and the Issuance of Bank Bonds

The purpose of this notice is to inform participants, agents and trustees of revised procedures to those described in important notices 3381-08 and 3488-08 that must be followed with respect to the issuance of VRDO Bank Bonds.

The process was amended as follows:

- Bank bond requests for DTC eligibility are to be directed to bankbondrequests@dtcc.com.
- In addition to completing and signing the Eligibility Certification form (Exhibit A) the trustee must now also include a completed copy of the Bank Bond Eligibility Request Details form (Exhibit B). Both forms are appended to this notice.

Background

VRDOs provide bondholders the option to put or tender their bonds for payment of principal and interest on a daily, weekly or other frequency mode. The tendered bonds are usually resold to new purchasers by the designated VRDO remarketing agent.

Market conditions may result in instances of failed remarketing's; that is, the remarketing agent is unable to find new purchasers of the bonds that have been tendered for payment. In such cases, the governing provisions of certain VRDOs provide that the trustee as tender agent draw on a credit facility, or liquidity provider, to pay the principal and interest due the tendering bondholder. The tendered bonds then become Bank Bonds and are held in the DTC participant account of the liquidity provider or trustee. Bank Bonds may later be remarketed. During the existence of Bank Bonds, however, the Bank Bonds bear a different interest payment rate and may pay interest at a different interest payment frequency than the non-tendered ("original") bonds. Thus, the Bank Bonds must be identified by a new CUSIP number to segregate them from the CUSIP number assigned to the original bonds.

Most trustees of VRDO issues are participants of DTC and additionally participate in DTC's Fast Automated Securities Transfer Program ("FAST"). DTC is aware of instances where trustees have issued Bank Bonds and have arranged for the exit of the Bank Bonds from DTC through the facilities of DTC's Deposit and Withdrawal at Custodian ("DWAC") service. In these cases, the trustee coordinates with the DTC participant holding the Bank Bonds to process a DWAC withdrawal for the quantity of Bank Bonds residing in the participant's DTC account under the

original bond CUSIP number. The Bank Bonds are thereafter serviced by the trustee outside of DTC. In the event the Bank Bonds are later remarketed and revert to original bonds, a DWAC deposit is processed to deposit the former Bank Bonds into the participant's DTC account under the original bond CUSIP number.

DTC is also aware of other instances where Bank Bonds remain on deposit at DTC commingled with original bond positions. The commingled positions have caused interest payment discrepancies between DTC and trustees, post-payable date cash adjustments against the settlement accounts of participants, and other recordkeeping problems. This is unacceptable. The procedures that follow are designed to remedy these problems and prevent recurring problems.

Bank Bond Eligibility and Processing Procedures:

DTC has worked with the American Bankers Association Corporate Trust Committee to develop appropriate procedures which enable Bank Bonds to be made eligible at DTC under separately assigned Bank Bond CUSIP numbers. The procedures that follow must be adhered to by both DTC participants holding Bank Bonds and the trustees of the Bank Bond issues.

Note: DTC is generally unaware when Bank Bonds are issued. DTC is therefore relying on trustees to immediately initiate the following process either before or as soon as the Bank Bonds are issued to ensure that trustees and DTC participants promptly segregate Bank Bonds in the manner described below.

1. Trustees of VRDO issues whose original bonds may or have become Bank Bonds must first obtain one Bank Bond CUSIP number from S&P for each VRDO original bond CUSIP number.
2. The trustee must complete and sign the required form of eligibility certification and the Bank Bond Eligibility Request Details forms, both which can be found in Exhibit A & B of this notice. The completed forms must be submitted to DTC's Underwriting Department electronically to a mailbox designated for this purpose (see email address below). The required form of eligibility certification attached to this notice, among other things requires the trustee to certify that the original offering documents authorize the issuance of Bank Bonds as described herein. Complete and send both forms to bankbondrequests@dtcc.com.
3. DTC will review the eligibility certification to determine whether the Bank Bonds meet applicable DTC-eligibility requirements. DTC will notify the trustee of the date on which the Bank Bonds will be made eligible.
4. When making Bank Bonds eligible, DTC will assign a security description on its security master file that will start as follows: "\$VRDO BKBD 123456789" (where 123456789 is the CUSIP number of the original bonds to which the Bank Bonds are linked). All depository services in the Bank Bond issue will be chilled except for DWAC deposit and withdrawal, pledge, and pledge release transactions.
5. Upon making the Bank Bond CUSIP number DTC-eligible, the Bank Bond positions residing in the original bond CUSIP number must be moved to the Bank Bond CUSIP number. To accomplish this, the trustee will arrange for the DTC participant holding the Bank Bonds to submit two transactions through the DWAC service for the quantity of the Bank Bonds (1) a withdrawal transaction under the original bond CUSIP number, and (2) a deposit transaction under the Bank Bond CUSIP number.

6. The trustee will promptly approve the two DWAC transactions by means of the DWAC authorization process. The trustee on the same day will also update its own records by adjusting the FAST balances for DTC's nominee, Cede & Co., in the two CUSIP numbers accordingly.

7. If additional Bank Bonds are later issued as a result of failed remarketing's, the trustee and DTC participant holding the new Bank Bonds will promptly process DWAC transactions as described above to move the new Bank Bond positions from the original bond to the Bank Bond CUSIP number already DTC eligible.

8. In the event any of the Bank Bonds on deposit at DTC under the aforementioned procedures revert to original bonds, the trustee must arrange with the DTC participant holding the Bank Bonds to submit two transactions through the DWAC service for the quantity of Bank Bonds that have reverted to original bonds (1) a withdrawal transaction under the Bank Bond CUSIP number, and (2) a deposit transaction under the original bond CUSIP number. The trustee will complete these transactions by promptly approving them and updating on its own books the FAST balances in the two CUSIP numbers accordingly.

9. The trustee must adhere to all applicable provisions of DTC's Operational Arrangements with respect to the Bank Bonds, including the procedures related to the notification and payment of Principal and Income (P&I) and corporate action activities. Any notices issued by trustees for interest payments, calls for redemption, mandatory tenders or other activities affecting the Bank Bonds must be separately identified by the DTC-eligible Bank Bond CUSIP numbers to which the corporate action notification applies (in addition to the notices issued by trustees identified by and pertaining to original bond CUSIP numbers). All payments thereof made to DTC must also be separately identified by the Bank Bond CUSIP numbers. All such events will be announced, processed and reported by DTC to participants under the Bank Bond CUSIP numbers.

Trustees and DTC participants must adhere to DTC's Rules and Procedures and the specific procedures contained herein with respect to Bank Bonds, without limitation. These procedures are effective immediately. Failure to comply with these procedures will require the immediate forced exit of the respective Bank Bonds from the depository.

The above Bank Bond procedures apply to FAST issues only. Trustees with Bank Bonds in issues not participating in the FAST program should contact DTC to discuss alternative procedures.

Any questions regarding this notice may be directed to the Underwriting Hotline 866-724-4402.

Exhibit A:

**CERTIFICATION WITH RESPECT TO NEW
CUSIP FOR EXISTING BOND ISSUE RESULTING
FROM CHANGE IN STATUS TO “BANK BONDS”**

Date: _____

To: The Depository Trust Company

From: _____, as Trustee/Paying Agent/Tender Agent

Re: New CUSIP for existing Bank Bond transaction

Issue: _____ [insert name of Bond issue]

Original CUSIP: _____ Previous Amount Outstanding: _____

Amount to be Outstanding: _____

New CUSIP: _____ Amount to be Outstanding: _____

DTC Participant Holding the Bank Bonds: _____ (name)

DTC Participant Holding the Bank Bonds: _____ (DTC account #)

Ladies and Gentlemen:

We are the trustee/paying agent/tender agent for the above-referenced Bonds (the “Bonds”) which have previously been made DTC eligible. In such capacity or capacities, we have drawn on a credit facility to pay the principal and interest on Bonds that were tendered for payment by the owners thereof. The Bonds purchased with such draw have become “Bank Bonds” or “Pledged Bonds” under the applicable documents (“Bank Bonds”). The payment terms for the Bank Bonds are different than the payment terms for the Bonds. Accordingly, we have obtained from S&P a separate CUSIP number for the Bank Bonds. We have obtained the new CUSIP number (listed above) for the portion of the Bonds that have become Bank Bonds, and hereby request that such new CUSIP number also be treated as DTC eligible. The required information with respect to such new CUSIP number or numbers is set forth on Exhibit B attached hereto.

We certify that the tendered bonds that become Banks Bonds as of the record date for the next and all future interest payments on the Bank Bonds will be entitled to receive such interest at the same Bank Bond interest rate, regardless of when the tendered bonds become Bank Bonds. We also certify that the Bonds identified by the original CUSIP number as of the record date for the next and all future original Bond interest payments will be entitled to receive such interest at the same interest rate, regardless of when tendered bonds become Bank Bonds and regardless of when Bank Bonds are remarketed and revert back to the original Bonds.

In certain circumstances Bank Bonds will be remarketed to new owners and will no longer be considered Bank Bonds but will revert to their original status as Bonds. We will increase or decrease the outstanding principal amount of the respective CUSIPs as principal amounts transfer between the Bonds and the Bank Bonds. The aggregate outstanding amount of the original and new CUSIPs should not exceed the current outstanding amount of the original CUSIP.

We understand that the Bank Bonds will be subject to all of DTC's Rules and Procedures. Additionally, as a condition of eligibility for the Bank Bonds, the following procedures will be complied with:

- The trustee will be responsible for making arrangements with the DTC participant holding the Bank Bonds to promptly process transactions via DTC's DWAC service to withdraw from the original CUSIP number and deposit into the Bank Bond CUSIP number the quantity of Bank Bonds that have been issued.
- The trustee will be responsible for making arrangements with the DTC participant holding the Bank Bonds to promptly process transactions via DTC's DWAC service to withdraw from the Bank Bond CUSIP number and deposit into the original CUSIP number the quantity of Bank Bonds that have been remarketed. (The subsequent delivery to new owners of remarketed bonds that were formerly Bank Bonds will be processed under the original CUSIP number.)
- The trustee will be responsible for promptly updating DTC's Cede FAST position on the trustee's books in both the original and Bank Bond CUSIP number in accordance with the aforementioned DWAC transactions.
- During the existence of the Bank Bonds, all corporate action notifications and payments to DTC with respect to interest payments, partial and full calls, mandatory tenders and all other entitlements shall be separately made and identified by the Bank Bond CUSIP number.

The undersigned represent and warrant to DTC that the issuance of Bank Bonds as described herein is authorized by and is being issued pursuant to the original Offering Documents and / or Registration Statement. We understand that failure to comply with any of DTC's Rules and Procedures, including the additional procedures described above, will result in the Bank Bonds being exited from DTC.

If you have any questions, please contact the undersigned at the phone number or email address indicated.

(Name of Organization)

By: _____
(Authorized Officer's Signature)

(Print Name)

(Street Address)

(City) (State) (Country) (Zip Code)

(_____) _____
(Phone Number)

(E-mail Address)

Exhibit B:

Bank Bond Eligibility Request Details

Issuer Name:

CUSIP:

Municipal or Corporate Bond:

Denominations:

FAST Agent Number:

Holding Participant Contact Name:

Holding Participant Telephone Number:

Remarketing Agent Contact Name:

Remarketing Agent Contact Telephone Number:

Dated Date / Accrual Date:

Interest Payment Frequency:

First Interest Payment Date:

Accrual Method:

Interest Calculation:

Record Date:

Interest Rate:

Maturity Date:

Callable Y/N:

Call Notice Number of Days¹:

¹ Number of days before the call redemption (payable) date that DTC will receive notice of the call (identified by the Bank Bond CUSIP number).