

## Issuer Application of the Municipal Advisor Rule's IRMA Exemption

### INTRODUCTION

On October 18, 2013, the Securities and Exchange Commission (SEC) approved the Municipal Advisor Rule (MA Rule), addressing the definition, registration, and regulation of municipal advisors. The MA Rule was enacted as part of the financial regulatory reform initiated under the Dodd-Frank Act.<sup>1</sup> Section 975 of Dodd-Frank amended Section 15B of the Securities Exchange Act of 1934 to, among other things, require municipal advisors to register with the SEC; establish a fiduciary duty between the municipal advisor and the public entity to which it is acting as a municipal advisor; and, subject municipal advisors to additional anti-fraud provisions.

Although Section 975 defined municipal advisors, the MA Rule provides additional clarification, including defining terms not defined in the Dodd-Frank Act.<sup>2</sup> In addition, the MA Rule provides a number of exceptions and exemptions from the definition of municipal advisor. For example, responses to certain requests for proposals (RFPs) and requests for qualifications

(RFQs) are exempt from the MA Rule as they do not meet the “advice” standard. Additionally, certain finance professionals, such as underwriters and investment advisers, are excluded from the MA Rule’s registration requirement.<sup>3</sup> The IRMA exemption allows issuers that retain an independent registered municipal advisor (IRMA) and publicly notice this fact to receive advice from underwriters. This exemption underlies the presumption that issuers retaining an IRMA will not be unduly influenced to enter into a transaction without fully understanding the consequences because they will be advised by their IRMA. Because IRMAs have a fiduciary duty to the issuer, they, in theory, act as a safeguard against advice and transactions that are not in the issuer’s best interest.

This issue brief discusses the IRMA exemption, reviews the model language and components of a publicly posted IRMA exemption letter, as suggested by the Securities Industry and Financial Markets Association (SIFMA), and considers the scope of IRMA exemption letters used by some municipal issuers.

### THE IRMA EXEMPTION

The MA Rule clearly delineates the roles, interests, and duties of market participants in debt issuance. It primarily regulates how municipal advisors and underwriters inter-

act with municipal issuers. While no duties are directly imposed on issuers, they may take steps that would allow them to receive information from market participants under an exception or exemption to the MA Rule. For example, an underwriter may be exempt from the definition of a municipal advisor if the underwriter relying on the exemption receives written notice from the municipal issuer that it is represented by and relies on the advice of its IRMA.<sup>4</sup> The underwriter must have a reasonable basis to rely on that representation and it must provide written disclosures to the issuer and its IRMA stating that the underwriter does not have a fiduciary duty to the issuer. The disclosure must allow the issuer sufficient time and opportunity to evaluate any conflicts of interest or material interests the underwriter may have to providing municipal advice.

Regarding the written notice requirement, a municipal issuer may publicly post a notice of its use and reliance on an IRMA. If the municipal issuer has not publicly posted an IRMA notice, underwriters or others attempting to use the IRMA exemption can request the written notice from the issuer. Municipal issuers may publicly post an IRMA exemption notice on its official website in order to notify multiple market participants at once, specifically where the public notice states the issuer’s intent for market participants to utilize the exemption as a result of the notice.

<sup>1</sup> Dodd-Frank Consumer Protection and Wall Street Reform Act, 124 Stat. 1376 (2010).

<sup>2</sup> Municipal advisor is statutorily defined by the SEC as “a person (who is not a municipal entity or an employee of a municipal entity) that: (1) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or (2) undertakes a solicitation of a municipal entity.” 15 U.S.C. 78o-4(e)(4)(A). The term financial adviser is defined more broadly as a finance professional that furnishes advice and encompasses municipal advisors as well as advisors in other financial sectors.

<sup>3</sup> The statutory definition of “municipal advisor” excludes underwriters, investment advisers, commodity trading advisers, attorneys furnishing legal advice, and engineers furnishing engineering advice. *Id.* at 15 U.S.C. 78o-4(e)(4)(B).

<sup>4</sup> See Securities and Exchange Commission, Office of Municipal Securities, *Registration of Municipal Advisors Frequently Asked Questions*, May 19, 2014, available at [www.sec.gov/info/municipal/mun-advisors-faqs.pdf](http://www.sec.gov/info/municipal/mun-advisors-faqs.pdf).

## CURRENT USE OF THE IRMA EXEMPTION

CDIAC identified a number of municipal issuers with an IRMA exemption letter publicly posted on their websites. These issuers tended to be large, sophisticated issuers with significant experience and staff resources dedicated to debt issuance and investment activities. Additionally, municipal issuers that have posted an IRMA exemption letter to their website have done so relatively quickly, within two years of the effective date of the MA Rule.

Most of the California counties with a publicly posted IRMA letter are large entities that frequently issue debt.<sup>5</sup> In addition to counties, a small percentage of California's 482 cities publicly posted an IRMA exemption letter to their website. These cities ranged from large, experienced issuers to small, infrequent issuers.<sup>6</sup> Other California municipal issuers with publicly posted IRMA exemption letters include regional transportation agencies, water and sanitation districts, and even large educational issuers.<sup>7</sup>

Generally, municipalities that retain an IRMA do so because they issue frequently, in high volume, or with complex debt products. Although many of the municipalities with an IRMA letter had robust websites addressing questions of debt and investment oversight and providing comprehensive financial information, they did not commonly make available their debt management

policy through their websites. Of those that had posted a debt management policy, fewer still had incorporated or referenced their retention of an IRMA or included a copy of their IRMA exemption letter in their debt management policy. As a best practice, municipal issuers retaining an IRMA should incorporate an IRMA exemption letter into their debt management policies. This typically requires the issuer to present an updated version of their debt management policy for approval to its governing board.<sup>8</sup> The process of maintaining a debt management policy and regularly updating it assists issuers in promoting awareness of standard procedures and adhering to them.

CDIAC's review did not include municipalities that utilize an IRMA but do not have a publicly posted IRMA exemption letter. Therefore, many large, sophisticated issuers not mentioned in this issue brief may retain an IRMA and facilitate the use of the IRMA exemption without publicly posting an exemption letter. In those situations, the underwriter may learn of an issuer's retention of an IRMA through directed correspondence. For instance, where an issuer uses a pool of underwriters for its debt transactions, it may send an IRMA Exemption Letter to all members of its underwriting pool; these letters often mirror the format and scope of publicly posted letters. Underwriters may also discover whether an issuer has an IRMA by reviewing the issuer's official statements (OS) from recently issued debt, identifying the municipi-

pal advisor(s) used on those transactions, and verifying whether the advisor serves as an IRMA to the issuer. Finally, underwriters may address a general inquiry on the subject to the issuer, which is exempt from the provisions of the MA Rule. Issuers that utilize the IRMA Exemption through any of the above means may then receive advice and proposals from underwriters.

However, issuers without an IRMA go through a different process to communicate with underwriters. Although issuers can no longer receive unsolicited advice and proposals from underwriters, they may disseminate requests for qualifications (RFQs) or requests for proposals (RFPs) to underwriters. That process allows underwriters to submit advice and proposals to the issuer, usually in direct response to an issuer's specific transactional needs. Underwriters can also direct general inquiries to issuers which may in turn lead the issuer to disseminate RFQs and/or RFPs.

## APPROACHES TO THE IRMA EXEMPTION

For municipal issuers contemplating an IRMA exemption letter, SIFMA offers a template which is provided as Appendix A.<sup>9</sup> The template letter's model language closely follows the requirements as set forth in statute as well as the interpretive guidance provided in the SEC's *Registration of Municipal Advisors Frequently Asked Questions* publication. The SIFMA model letter addresses the following elements:

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<sup>5</sup> The counties of Contra Costa, Los Angeles, Riverside, Sacramento, San Diego, and San Francisco are all within the top ten California counties by population. See California Department of Finance, *E-1 Population Estimates for Cities, Counties, and the State – January 1, 2014 and 2015*, available at [www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php](http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php).

<sup>6</sup> For example, San Diego, San Jose, Santa Ana, and Stockton are large, sophisticated issuers with a publicly posted IRMA exemption letter. However, mid-size issuers such as the cities of Camarillo and Santa Clara as well as small cities such as Millbrae and San Joaquin had publicly posted IRMA letters.

<sup>7</sup> Examples of transportation issuers with a publicly posted IRMA exemption letter include the California Department of Transportation, Alameda County Transportation Commission, Caltrain, San Bernardino County Transportation Agency, San Mateo County Transit, and Santa Clara Valley Transportation Authority. There are also several water/sanitation/public power issuers with a publicly posted letter, including Sacramento Regional County Sanitation District, San Diego County Water Authority, Santa Clara Valley Water District, and the Southern California Public Power Authority. Notable educational issuers with a publicly posted IRMA exemption letter include the Regents of the University of California, which oversees debt issuance for ten university campuses, and Los Angeles Unified School District, the largest public school system in California.

<sup>8</sup> The Government Finance Officers Association (GFOA) has published valuable articles on developing a debt management policy. See GFOA Best Practice: Debt Management Policy, Oct. 2012, available at [www.gfoa.org/sites/default/files/DEBT\\_DEBT\\_MANAGEMENT\\_POLICY.pdf](http://www.gfoa.org/sites/default/files/DEBT_DEBT_MANAGEMENT_POLICY.pdf), Tigue, Patricia, *A Guide for Preparing a Debt Policy*, 1998, and Miranda, Rowan, Ronald Picur & Doug Straley, *Elements of a Comprehensive Local Government Debt Policy*, 13 Government Finance Review 5, Oct. 1997; see also CDIAC, *Employing a Debt Management Policy: Practices Among California Local Agencies*, 2014.

<sup>9</sup> SIFMA Municipal Advisor Model Language: Model Independent Registered Municipal Advisor Language, May 1, 2015, available at [www.sifma.org/services/standard-forms-and-documentation/municipal-securities-markets/](http://www.sifma.org/services/standard-forms-and-documentation/municipal-securities-markets/).

- Issuer's retention of an IRMA
- Issuer's representation by and reliance on its IRMA
- Scope of financial advisory services covered by IRMA
- Length of time the letter may be relied upon
- Contact information of the issuer
- In what instances the IRMA should be contacted
- Contact information of the IRMA
- Associations of the IRMA within the past two years<sup>10</sup>

The SIFMA model letter contains additional considerations for municipalities that use a variety of IRMAs in managing debt:

- Directions for discerning the IRMA used on a particular debt instrument
- Contact information for the issuer's debt management program

Finally, if the letter is posted on the issuer's official website, the model letter suggests:

- Statement of intent for market participants to use letter for IRMA exemption purposes

Some of the elements in the SIFMA model letter encompass the statutory requirement in the Securities Exchange Act and mirror its language. For instance, the issuer's retention of and representation by and reliance on an IRMA reflects the statutory language. Additionally, the statement of intent is particularly apt for a publicly posted letter, aiding underwriters in accurately assessing the extent to which it applies to them. The remaining elements of the letter address the scope of the letter's intent and directional information for the underwriter to comply with the exemption in accordance with the issuer's requests.

CDIAC reviewed IRMA exemption letters publicly posted online by municipal issuers. In the course of that review, CDIAC

determined that issuers generally use much of the language provided by SIFMA's model letter in crafting a letter to their specifications. The documents reviewed by CDIAC were sometimes labeled as "notices," "disclosures," or "disclosure certificates," but the term "letter" is used in this brief as inclusive of all such documents. The main differences between issuers' IRMA exemption letters are: 1) how underwriters are directed to provide information to the issuer and/or IRMA, 2) the scope of services provided by the IRMA, 3) the extent of information regarding their IRMA or IRMAs' associations, and 4) how long underwriters may rely on the IRMA exemption. The following case studies illustrate the different approaches and information provided in IRMA exemption letters.

#### CASE STUDY: THE COUNTY OF LOS ANGELES

The County of Los Angeles is the largest county by population in the state of California. It publicly posted its IRMA Exemption Notice on its website on July 7, 2014, just six days after the MA Rule went into effect. The County's two page IRMA Exemption Notice contains six primary components:

- An introductory statement of intent for the Notice to be utilized for IRMA exemption purposes
- An explanation of its decision-making process for investments, which is exclusively internal
- Identification of the municipal advisors within its advisory pool and its reliance on the pool's advice regarding debt issuance
- The extent to which any individuals within the advisory pool are associated with any broker-dealer or underwriter firm, and that those individuals will be appropriately screened
- Directions for speaking with or sending documents to the advisory pool

- How long and to what extent the Notice may be relied upon

Los Angeles County's Notice is exceptional in a couple of regards. First, no contact information is provided for the members of the advisory pool. This is likely intentional as the County states that its advisors should not be contacted unless so instructed by the County. Second, the County specifies that its pool of IRMAs advise on debt issuance. The County conducts its own independent analysis on investments and does not receive advice from its IRMAs on the subject. Third, the Notice provides a significant amount of information about the associations of its advisors. This is due in part to the County's retention of three large municipal advisory firms. Because of the size of the firms, the likelihood that an employee of one of the MA firms is associated with an underwriting firm is heightened. However, the County has been especially diligent in determining the exact nature of the associations and attaining assurances that the associated individuals will be screened from advising the County. Fourth, the Notice does not provide an end date for reliance on its terms but may be relied upon until amended or rescinded.

The full text of Los Angeles County's IRMA Exemption Notice is provided as Appendix B.

#### CASE STUDY: CITY OF MILLBRAE

The City of Millbrae is one of California's smaller cities, with an estimated population just over 21,500. Its IRMA Exemption Notice is publicly posted to its website and went into effect on April 8, 2015. The City's half page Notice contains four main components:

- A statement of intent for the Letter to be utilized for IRMA exemption purposes
- Identification of the IRMA retained by the city and its reliance on the IRMA's advice regarding debt issuance and investment

<sup>10</sup> An IRMA is only independent if it does not have any association to an underwriter seeking to use the exemption within the last two years. The two years is measured from the date the underwriter would rely on the exemption.

- Directions for submitting advice and information to the City
- How long the Letter may be relied upon

Although the City's Notice is brief, it concisely presents the necessary information for underwriters to rely on the IRMA exemption. First, the Notice does not provide the contact information for the IRMA, but rather directs underwriters to send proposals solely to the City. Second, the IRMAs are retained for advice on both debt issuance and investment. Third, the Letter does not provide any information on the associations of its advisory firm. This may be due to the fact that the firm retained by the City has few professionals, none of which have prior associations within the last two years.<sup>11</sup> Therefore, there may be no associations to acknowledge. Fourth, the Notice provides an end date for reliance on its terms.

The full text of the City of Brisbane's IRMA Exemption Notice is provided as Appendix C.

#### CASE STUDY: SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

The Sacramento Regional County Sanitation District provides wastewater conveyance and treatment services in the greater Sacramento area and is one of the largest sanitation agencies in the state. Its IRMA Disclosure Certificate was publicly posted to its website on July 1, 2014, the day the MA Rule went into effect. The District's one page Disclosure Certificate contains four central components:

- A statement of intent for the Disclosure Certificate to be utilized for IRMA exemption purposes

- Identification of the IRMA retained by the city and its reliance on the IRMA's advice
- Directions for submitting advice and information to the District and its IRMA
- How long and to what extent the Disclosure Certificate may be relied upon

The District's Disclosure Certificate is a full page and has minor variations from the first two case studies. First, the District provides full contact information for its IRMA, including its SEC registration number and MSRB number. Second, the Disclosure Certificate states that its IRMA will participate on any of the issuer's transactions. It may be implied that the IRMA's scope of services covers both debt issuance and investment. Third, the Disclosure Certificate does not provide any information on the associations of its advisory firm. The IRMA retained by the District does not have any advisors with prior associations within the last two years.<sup>12</sup> Fourth, the Notice does not provide an end date for reliance on its terms, but only states that as long as it is posted on the website it may be relied upon. Finally, the Disclosure Certificate provides a lot of background, relatively, on the MA Rule and the IRMA Exemption.

The full text of Sacramento Regional County Sanitation District's IRMA Disclosure Certificate is provided as Appendix D.

#### CONCLUSION

Since the passage of the MA Rule, municipal advisors and underwriters have adjusted to their new defined roles and requirements. Issuers of municipal debt have also adjusted to the new requirements and some have taken steps to assist market

participants in utilizing the IRMA Exemption. A majority of municipal issuers with a publicly posted IRMA exemption letter are large, experienced issuers. The letters are typically displayed on their public website alongside information about their debt and investments. In addition to publicly posting the IRMA letter, municipalities should consider updating their debt management policies to account for the MA Rule, IRMA Exemption, and their attempts to assist market participants in utilizing that exemption.

The IRMA exemption letters posted by municipal issuers vary in the format and type of information provided. While the SIFMA Model Letter is a valuable template, municipal issuers have adapted the template to fit their needs. In a review of selected IRMA letters CDIAC identified variances in how underwriters were directed to provide advice or proposals to the issuer or IRMA, with some issuers requiring they be sent to both and other issuers preferring underwriters to contact only the issuer. There were also differences in the scope of services provided by the IRMA, with some exclusively advising on debt and others advising on all of the issuer's transactions. As to the IRMA's associations, comprehensive information was provided in some instances while in others the topic was not addressed. Finally, issuers diverged in determining whether or not to set an end date for reliance on the terms of the letter. Although the letters were constructed differently, they achieved the purpose of facilitating access to market participants in accordance with the MA Rule.

*This Issue Brief was authored by Lauren Herrera and reviewed and edited by Angel Hernandez. CDIAC, July, 2016.*

<sup>11</sup> See Urban Futures, Inc., Team, available at [www.urbanfuturesinc.com/team/](http://www.urbanfuturesinc.com/team/).

<sup>12</sup> See Montague DeRose and Associates, LLC, Professional Staff, available at [www.montaguederose.com/staff.html](http://www.montaguederose.com/staff.html).



**Version: 5/1/2014**

SIFMA Municipal Advisor Model Language:  
Model Independent Registered Municipal Advisor Exemption Language

SIFMA has prepared model documents and related guidance to help brokers, dealers and other financial institutions comply with the new regulatory requirements created by the SEC's Municipal Advisor Rule. The SEC's Municipal Advisor Rule imposes a registration regime upon municipal advisors, i.e., firms that give advice absent an exemption or exclusion to municipal entities and obligated persons, and imposes a fiduciary duty upon municipal advisors that give advice to municipal entities. MSRB rulemaking will impose additional requirements and prohibitions on the conduct of municipal advisors.

The Rule granted certain exemptions and exclusions from the definition of municipal advisor for persons providing certain types of advice that would otherwise deem that person to be a municipal advisor. One such exemption is for advice given to municipal entities or obligated persons that are represented by and will rely on the advice of an independent registered municipal advisor. In order to rely on this exemption, a firm must receive certain representations from the municipal entity or obligated person. The model language below can be suggested to municipal entities or obligated persons if they would like to receive advice from a firm that is not otherwise covered by an exemption or exclusion.

SIFMA's model disclosures are designed to be a starting point to aid firms with compliance with the SEC's Municipal Advisor Rule; however, close attention must be paid to the specific language used as the Rule and the SEC's interpretive guidance is very definitive in what is required for the exemptions or exclusions to properly apply. SIFMA encourages firms to expand or modify these documents as necessary to reflect their own analysis of the rule or specifics of particular transactions.

SIFMA recommends that firms update their internal procedures and continue to educate their personnel about this new regulatory requirement.

Note to [Municipal Entity/Obligated Person]: Brokers, dealers, and other financial institutions (“financial services firms”) that seek to enter into principal transactions with municipal entities or obligated persons generally cannot give advice unless they qualify for an exemption or exclusion to the SEC’s Municipal Advisor Rule. One such exclusion to the rule for financial services firms is when the municipal entity or obligated person has an independent registered municipal advisor. If you would like to receive advice from financial services firms regarding the issuance of municipal securities, municipal financial products or the investment of bond proceeds, a municipal entity or obligated person may/should send the financial services firm the language below, to assist the financial services firm in documenting their compliance with an exclusion to the rule which would permit the firm to give advice to you as a municipal entity or obligated person.

[Model SIFMA Language]

DATE

[State or local government/Obligated Person] has retained an independent registered municipal advisor. [State or local government/Obligated Person] is represented by and will rely on its municipal advisor [include name of firm here][if desired, include name of advisor at the firm here] to provide advice on proposals from financial services firms concerning the issuance of municipal securities and municipal financial products (including investments of bond proceeds and escrow investments).<sup>13</sup> This certificate may be relied upon until (insert date).<sup>14</sup> [Proposals may be addressed to [State or local government/Obligated Person] at \_\_\_\_\_].<sup>15</sup> If the proposal received will be seriously considered by [State of local government/Obligated Person], the entity will share the document with its municipal advisor. Please note, that aside from regulatorily mandated correspondence between an underwriter and municipal advisor, the

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<sup>13</sup> If applicable. The drafter should consider modifying the scope of services, as appropriate.

<sup>14</sup> The drafter should consider putting an end date on the certificate, although none is required under the SEC’s current guidance in FAQ 3.3. See, [www.sec.gov/info/municipal/mun-advisors-faqs.pdf](http://www.sec.gov/info/municipal/mun-advisors-faqs.pdf).

<sup>15</sup> To assist with compliance, the drafter of the certificate should consider listing a contact at the municipal advisor firm and/or the municipal advisor personnel working on the relevant transaction. If such contact information is not listed, then the drafter should be prepared to otherwise make the information available to firms upon request. Also, dealer advisors necessarily are associated persons with a broker dealer. To aid in the disclosure for dealer advisors, we suggest the following language, “The personnel of [Municipal Advisor] who will advise [Municipal Entity/Obligated Person] on such matters have represented to [Municipal Entity/Obligated Person] that they have not been associated with the firm engaging in the principal transaction [other than [Name of Related Broker Dealer Firm] within the two years prior to the date of this certificate.”

underwriter should not speak directly with or send documents directly to the municipal advisor unless specifically directed to by the entity.]

[Draft language for 2<sup>nd</sup> sentence to be used larger entities - The [State or local government/Obligated Person] uses a variety of municipal advisors in its debt management program. To know which firm is being used for a particular credit, please contact the entity's debt management program at \_\_\_\_\_, [or see below for the appropriate listing]. ]

[If posted on the governmental unit's or obligated person's website, add the following language at the beginning: By publicly posting the following written disclosure, [State or local government/Obligated Person] intends that market participants receive and use it for purposes of the independent registered municipal advisor exemption to the SEC Municipal Advisor Rule.]

## Appendix B

### COUNTY OF LOS ANGELES INDEPENDENT REGISTERED MUNICIPAL ADVISOR EXEMPTION NOTICE

#### TO BROKER-DEALERS/UNDERWRITERS

The County of Los Angeles (the "County") is posting this information with the intent that market participants may provide advice to the County regarding municipal financial products or the issuance of municipal securities and utilize the independent registered municipal advisor exemption under the Securities and Exchange Commission's Municipal Advisor Rule.

1. The County through its Treasurer and Tax Collector (the "TTC") maintains the County of Los Angeles Treasury Pool (the "Treasury Pool"). Decisions for investments in the Treasury Pool are made solely by County employees in the Investment Office of the TTC based on independent research and market analysis in accordance with the County's Investment Policy, which is updated and approved by the County Board of Supervisors at least an annually.

2. The County maintains a pool of municipal financial advisors ("Financial Advisors") to assist with the investment and borrowing needs of the County and to address specific questions and issues that arise during the normal course of business. The County's municipal financial advisory pool is comprised of KNN Public Finance, Montague DeRose and Associates, and Public Resources Advisory Group. The County will rely on the advice of (in the sense that it will seek and consider the advice, analysis and perspective of, before making a determination), these Financial Advisors in considering information (other than general information that does not involve a recommendation) that broker-dealers and underwriters provide to us regarding municipal financial products and/or the issuance of municipal securities.

3. The County made inquiry of each of the "Associated Individuals" (within the meaning of the SEC Staffs FAQ No. 3.6) of each of the Financial Advisors and was advised that no such Associated Individual was employed within the last two years as an Associated Individual by a broker-dealer or underwriter firm, except as follows:

1) An Associated Individual at Public Resources Advisory Group was employed within the past two years by Citigroup in the capacity of an Associated Individual, but PRAG has advised the County that such Associated Individual will not be participating in any matter, including participation in the management, direction, supervision, or performance of activities relating to the matter, that involves municipal advisory activity for the County in which Citigroup is involved in any role as a transaction participant firm during the applicable two-year period.

2) An Associated Individual at KNN Public Finance was employed within the past two years by Loop Capital Markets LLC in the capacity of an Associated Individual, but KNN Public Finance has advised the County that such Associated Individual will not be participating in any matter, including participation in the management, direction, supervision, or performance of activities relating to the matter, that involves municipal



advisory activity for the County in which Loop Capital Markets LLC is involved in any role as a transaction participant firm during the applicable two-year period.

3) An Associated Individual at KNN Public Finance was employed within the past two years by Backstrom, McCarly, Barry & Co., LLC in the capacity of an Associated Individual, but KNN Public Finance has advised the County that such Associated Individual will not be participating in any matter, including participation in the management, direction, supervision, or performance of activities relating to the matter, that involves municipal advisory activity for the County in which Backstrom, McCarly, Barry & Co., LLC is involved in any role as a transaction participant firm during the applicable two-year period.

Please note that except for regulatorily mandated correspondence between your firm and the County's Financial Advisors, your firm should not speak directly with or send any documents directly to them unless specifically directed to do so by the County. Further, the County shall bear no responsibility for updating the information related to Associated Individuals beyond the date of this notice.

This notice is provided solely in connection with the SEC's Municipal Advisor Rules and shall remain in effect until amended or rescinded. This notice should not be relied upon for any other purposes or by any other persons.

Date: July 7, 2014

County of Los Angeles

By: \_\_\_\_\_  
Glenn Byers  
Assistant Treasurer and Tax Collector

## Appendix C

### **Statement from City of Millbrae - For Independent Registered Municipal Advisor Exemption**

SEC Municipal Advisor Rule – Evidence of IRMA Exemption  
Effective as of April 8, 2015

This document serves as a certificate to indicate that City of Millbrae (City) is aware of: 1) the “Municipal Advisor Rule” of the Securities and Exchange Commission (effective July 1, 2014); and 2) the “independent registered municipal advisor” (IRMA) exemption from the definition of “advice” within that rule.

To that effect, the City has retained an independent registered municipal advisor. The City is represented by and will rely on the firm of Urban Futures, Inc., based in Orange, California. Urban Futures will, among other things, advise the City regarding proposals submitted by financial services firms concerning the issuance of municipal securities and municipal financial products (e.g. investments of bond proceeds and escrow investments).

Proposals may be addressed to the Finance Director, Mr. Kenneth Spray, by either physical delivery at 621 Magnolia Avenue, Millbrae CA 94030, or by e-mail at [kspray@ci.millbrae.ca.us](mailto:kspray@ci.millbrae.ca.us). If proposals are deemed to be appropriate for further evaluation by City, City will share the documents with Urban Futures.

Please note that, per the Municipal Advisor Rule, aside from the regulator-mandated correspondence between an underwriter and municipal advisor (Urban futures), prospective underwriter(s) should not speak directly with or send documents directly to the City unless specifically directed to by the City.

This certificate may be relied upon until June 30, 2016.

## Appendix D

Sacramento Regional County Sanitation District  
Sacramento County Sanitation Districts Financing Authority



### Independent Registered Municipal Advisor Disclosure Certificate

July 1, 2014

To all potential underwriters and placement agents:

The Sacramento Regional County Sanitation District (Regional San) and the Sacramento County Sanitation Districts Financing Authority (SCSDFA) recognize that the U.S. Securities and Exchange Commission (SEC) has issued rules pertaining to the registration of municipal advisors (the "Municipal Advisor Rule") that are effective July 1, 2014. The Municipal Advisor Rule, in general, provides that any person or entity that provides advice (recommendations) to Regional San and SCSDFA related to the issuance of municipal securities and municipal financial products that are specific to the needs of Regional San or SCSDFA, will be our Municipal Advisor and owe us a fiduciary duty.

Among the exemptions to the Municipal Advisor Rule, however, underwriters and placement agents are permitted to provide Regional San and SCSDFA with advice (recommendations) and NOT be considered Municipal advisors of Regional San and SCSDFA if we are represented and rely upon the advice and recommendations of an independent registered municipal advisor (IRMA) with respect to these same transactions (the "IRMA Exemption").

The Regional San and SCSDFA hereby disclose and notify all potential underwriters and placement agents of our desire and intent to continue to seek their advice (recommendations) on the issuance of municipal securities and municipal financial products that are specific to the needs of Regional San and SCSDFA. Regional San and SCSDFA further acknowledge and disclose to you that:

Montague DeRose and Associates, LLC  
2801 Townsgate Road, Suite 221  
Westlake Village, CA 91361  
Phone (805) 496-2211 / Fax (805) 496-8077  
SEC Registration Number 866-00018-00  
MSRB Number K01361

is our IRMA, and that we are represented by and will rely upon advice (recommendations) of Montague DeRose as our general Municipal Advisor. As our Municipal Advisor, Montague DeRose will assist Regional San and SCSDFA in evaluating any advice (recommendations) made by underwriters or placement agents. We further inform you that Montague DeRose has agreed to be our IRMA on any transaction that we participate in as an issuer and Montague DeRose is aware that we will rely on their advice.

Accordingly, we hereby further acknowledge and agree that any underwriter or placement agent providing advice (recommendations) to Regional San and SCSDFA pursuant to the IRMA Exemption will NOT be our Municipal Advisor and will NOT be subject to a fiduciary duty to us. All underwriters and placement agents who desire to use the IRMA Exemption shall provide written disclosures as required by the SEC to Regional San with a copy to Montague DeRose prior to providing advice (recommendations).

This certification may be relied upon until this notice is no longer posted on the Regional San website.

  
Prabhakar Somavarapu, District Engineer

  
Joseph T. Maestretti, CPA, Chief Financial Officer