

*BLX Group LLC
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BLX Group LLC

STATEMENT OF QUALIFICATIONS FOR PROFESSIONAL SERVICES
AUDITING (ARBITRAGE COMPLIANCE CONSULTANT)
(HRS 103D-304: FN. 6)

County of Hawai'i

June 12, 2025

PROJECT MANAGER

Jeff Higgins

Senior Managing Director, Chief Solutions Officer

213 612 2209 **T**

jhiggins@blxgroup.com **E**



BLX Group LLC blx

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BLX Group LLC
355 South Grand Avenue
Suite 2700
Los Angeles, CA 90071
ph. 213 612 2200
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Email: crystallene.pacheco@hawaiiicounty.gov

June 12, 2025

Diane Nakagawa
Director of Finance
County of Hawai'i
25 Aupuni Street, Suite 2103
Hilo, Hawaii 96720

Re: Professional Services HRS 103D-304, FN.6: Auditing (Arbitrage Compliance Consultant) FY 2025-2026

Dear Ms. Nakagawa,

BLX Group LLC ("BLX") is pleased to respond to the County of Hawai'i's ("County") Notice to Providers of Professional Services (HRS 103D-304) for fiscal year 2025-2026 in connection with the County's arbitrage compliance (referred to herein as Auditing (Arbitrage Compliance Consultant)). BLX draws upon deep expertise supporting municipal offerings with decades of client service experience paired with advanced processes, methodologies and technology.

Since inception 36 years ago, BLX has been a subsidiary of Orrick, Herrington & Sutcliffe LLP ("Orrick"). Orrick has been providing quality municipal finance legal services for over one hundred years, has ranked first nationally as bond counsel for most of the last two decades, and encompasses the largest and most experienced public finance tax group of its kind. BLX consultants work with Orrick tax and bond attorneys to ensure that the legal aspects of each analysis have been appropriately addressed.

Institutional Knowledge

We have had the privilege of serving as the County's arbitrage compliance consultant in 2004, 2023 and 2024 providing valuable input on the County's internal arbitrage processes. In addition to our experience working with the County and knowledge of your post-issuance compliance efforts, BLX already possesses:

- All of the offering documents related to the County's outstanding bonds;
- Prior arbitrage computations that address the County's bond program;
- Familiarity with the County's existing bond issues; and
- Efficiencies related to the report production, review and delivery.

We understand the scope of the proposed engagement and are highly qualified to perform the arbitrage rebate compliance services the County is seeking. BLX will provide such services in accordance with both federal tax law requirements and best practices. In light of the positive arbitrage environment, please consider that many strategies can be implemented pro-actively to maximize your retainable earnings. BLX would be glad to empower the County with the knowledge and education to do so. For example, we recently saved a similar issuer over \$21 million by applying our regulatory knowledge pro-actively. Our qualifications are supported by three important elements foundational to delivering certainty, resourcefulness, and timely reporting to our clients:

(1) Perspective

- The in-depth knowledge and experience of our professionals, along with the exceptional variety and scope of our engagements, give our team unsurpassed expertise and a unique perspective.
- Our working relationship with Orrick enables us to monitor the continual changes in the municipal finance environment, to understand their potential impact on our clients, to develop strategies that protect and advance each client's interests, and ultimately to identify the single best technical approach to any particular analysis. Our reports are delivered with an Orrick legal opinion that attests that the calculations are prepared in accordance with the Treasury Regulations.



(2) Experience

- Our senior professionals have been with the firm for many years and have decades of experience handling a broad range of engagements for a wide variety of clients. There are few situations, client needs, regulatory complexities or legal situations that we have not previously encountered and successfully handled.
- Our degreed and educated staff provide responsive and reliable customer service as well as on-site training. Our clients know the BLX professionals they rely upon will be part of their team for years to come.
- Our team members are familiar with the legal and regulatory constraints within which our clients must operate. We understand the needs and expectations of officials at the IRS and other regulatory agencies.

(3) Process

- We utilize vetted and efficient data collection methods and resources.
- We have instituted policies and procedures to ensure that all analyses reflect the most recent version of the Treasury Regulations as well as all beneficial elections available thereunder.
- Our processes include multiple levels of rigorous internal reviews and checks and balances to ensure accuracy and to confirm that all possible alternatives are identified and compared.

Partnering with BLX and taking advantage of our strong tax and analytical skill set and competitive pricing is the best choice for a successful, yet cost-effective engagement. I will continue to serve as your relationship manager and primary point of contact. In that role, I will be responsible for leading an open dialogue within BLX and with the County. I am excited about the prospect of continuing our work together and look forward to addressing any questions you may have. I can be reached at **213.612.2209** or via e-mail at jhiggins@blxgroup.com.

Very truly yours,

BLX Group LLC

A handwritten signature in blue ink that reads "Jeffrey R. Higgins". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Jeffrey R. Higgins
Senior Managing Director, Chief Solutions Officer



1. FIRM CONTACT AND LOCATION

The name of the firm or person, contact information including email address, the principal place of business, and location of all of its offices.

BLX Group LLC ("BLX"), formerly known as Bond Logistix LLC, currently serves its clients with four (4) offices around the country. We propose that the contemplated project be managed from our Los Angeles office, its principal place of business. BLX's Los Angeles office will provide all arbitrage compliance services with support from our other offices, and will coordinate with Orrick, Herrington & Sutcliffe LLP's ("Orrick") Los Angeles and San Francisco offices for legal support. Below is a list of our office locations:

Principal Place of Business and Proposed Office

Jeff Higgins, Senior Managing Director, Chief Solutions Officer
BLX Group LLC - Los Angeles
355 S. Grand Avenue, Suite 2700
Los Angeles, CA 90071
(213) 612-2209
jhiggins@blxgroup.com

BLX Group LLC - Dallas
4925 Greenville Avenue, Suite 880
Dallas, TX 75206

BLX Group LLC - New York
51 West 52nd Street
New York, NY 10019

BLX Group LLC - Phoenix
1525 S Higley Road, Suite 104 PMB
1103, Gilbert, AZ 85296

2. FIRM AGE AND STAFFING

The age of the firm and its average number of employees over the past five years.

BLX, formerly the Financial Services Group ("FSG") of Orrick, Herrington & Sutcliffe LLP, was established in 1989 on a foundation of technical excellence, independence, and strict adherence to the highest standards of ethics and regulatory compliance. BLX was spun-off as a wholly owned subsidiary of Orrick in September 2000 in order to expand its range of financial and municipal advisory services. BLX is registered with the Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor. BLX is comprised of 42 employees in offices in 4 cities around the country: Dallas, Los Angeles, New York, and Phoenix. Over the past five years, BLX has averaged 42 employees.

3. QUALIFICATIONS OF KEY PERSONNEL

The education, training, and qualifications of the individual, or if a firm, its key employees in accordance with HRS 103D-304 and/or the professional and scientific occupation series contained in the United States Office of Personnel Management's Qualifications Standards Handbook (<https://www.opm.gov/policy-data-oversight/classification-qualifications/general-schedule-qualification-standards/#url=GS-PROF>).

The members of BLX's proposed team have been carefully selected based on their area of expertise, prior experience with the County, and with similar financing programs. Your additional resources include registered municipal advisors and a CPA. Consistent with our foundational pillars, we are eager to demonstrate that your assigned professionals will work seamlessly together as a team to meet your requirements with certainty, and do so in a timely and efficient manner. Their tenure at BLX and mastery of our advanced processes will ensure a smooth transition as well as continuity for your organization. They are well versed in post-issuance compliance matters and have developed a reliable and broad perspective through years of quality industry experience. Their depth of knowledge, acquired by being immersed in exhaustive regulatory and transactional matters, will make them keen advocates for your program.

<i>Personnel/Title</i>	<i>Role</i>	<i>Office Location</i>	<i>Industry Experience/Tenure</i>
Jeff Higgins CSO, Sr. Managing Director	Project Manager / Client Services Regulatory Support / Technical Strategy Report Review / Production	Los Angeles	33 years / 33 years
Nancy Kummer COO, Sr. Managing Director	Technical Strategy / Regulatory Support Report Review	Los Angeles	26 years / 26 years
Glenn Casterline Managing Director	Regulatory Support / Technical Strategy Report Review	Los Angeles	33 years / 33 years
Vo Nguyen Managing Director	Technical Analysis / Optimization Verification / Report Production	Los Angeles	18 years / 18 years
Roger Davis Partner	Legal Review / Analysis	San Francisco	50+ years / 50 years
Larry Sobel Tax Partner, Orrick	Legal Review / Analysis	Los Angeles	39+ years / 39 years
Charles Cardall Partner	Legal Review / Analysis	San Francisco	37+ years / 37 years
John Wang Partner	Legal Review / Analysis	San Francisco	22+ years / 22 years

PROJECT MANAGER

Jeff Higgins will continue to serve as your project manager. He will address your day-to-day needs and coordinate efforts internally with Orrick and with other BLX team members. He has a wide range of public finance experience, which combined with his project management expertise, has consistently resulted in successful transactions and great client satisfaction. Jeff will be fully committed to delivering BLX's industry-leading services to you and your team and is **available 7 days a week via phone or e-mail**. Furthermore, Jeff routinely conducts and is available for complimentary site visits as needed.



Jeff Higgins
Chief Solutions Officer /
Senior Managing Director

LOS ANGELES
T: (213) 612-2209
E: jhiggins@blxgroup.com

INDUSTRY EXPERIENCE
33 Years

TENURE AT BLX
33 Years

EDUCATION

Arizona State University
BS in Finance, 1992

FINRA LICENSES

Series 50 Municipal Advisor Rep
(2016 to Present)
Series 54 Municipal Advisor Rep
(2019 to Present)
Series 65 Investment Advisor Rep
(2001 to Feb. 2020)

ROLE: Project Manager, Client Services Regulatory Support, Technical Strategy, Report Review / Production

SPECIFIC QUALIFICATIONS:

- ❖ 33 Years of public finance experience
- ❖ Manages BLX's Municipal Continuing Disclosure practice
- ❖ Manages many of BLX's most sophisticated issuers, including Energy Northwest, Piedmont Municipal Power Agency, State of South Carolina, Regents of the University of California, State of Hawaii and its agencies, City and County of Honolulu, Kauai County, and the *County of Hawai'i*

BIO / RELEVANT WORK EXPERIENCE: Jeff Higgins is BLX's Chief Solutions Officer and oversees the development of financial strategies, tools, and solutions to address the evolving needs of our public sector clients. As such, he is responsible for ensuring BLX provides tailored, value-driven services to governments and other municipal market participants while staying competitive in the consulting market.

As a Senior Managing Director and Principal in BLX's Los Angeles office with over 33 years of diverse public finance experience, Jeff also oversees BLX's Continuing Disclosure, Structured Products, and Swap Monitoring practices.

He currently manages many of BLX's most sophisticated issuers and utilizes his unique advisory expertise to optimize the economics of tax-exempt transactions while accounting for changing market conditions.

BLX TEAM MEMBERS

Having provided compliance services to hundreds of municipalities across the country, the BLX professionals assigned to your account are widely considered to be among the nation's leading non-attorney experts in tax matters relating to municipal bond financing. Their collective experience exceeds that of competing firms, and, in some cases, it surpasses the experience of the entire firm.



Nancy Kummer
Chief Operating Officer /
Senior Managing Director

LOS ANGELES

T: (213) 612-2215

E: nkummer@blxgroup.com

INDUSTRY EXPERIENCE

26 Years

TENURE AT BLX

26 Years

EDUCATION

University of California, Los Angeles
BA in Business Economics
(with Accounting Minor), 1998
magna cum laude

FINRA LICENSES

Series 50 Municipal Advisor Rep
(2017 to Present)
Series 65 Investment Advisor Rep
(2001 to Feb. 2020)
Series 28 Financial and Operations Principal
(2001 to 2015)

ROLE: Regulatory Support, Technical Strategy, Report Review

SPECIFIC QUALIFICATIONS:

- ❖ 26 years of public finance experience and creator of the BLX Institute – an online resource supporting issuers and borrowers in the municipal sector
- ❖ Experienced project manager for BLX's largest state and municipal clients
- ❖ Manages arbitrage rebate clients with complex and unique requirements, such as the State of California, the New York MTA, and the City of Seattle
- ❖ Registered Municipal Advisor representative and client service advocate with a broad perspective on issuer requirements
- ❖ Registered Observer of the International Capital Market Association's Green and Social Bond Principles
- ❖ Approved Verifier with the Climate Bonds Initiative
- ❖ Effective communicator with strong organization and problem-solving skills

BIO / RELEVANT WORK EXPERIENCE: Nancy Kummer is BLX's Chief Operating Officer and Senior Managing Director with over 26 years of public finance consulting experience. In addition to providing advisory and analytical services to state and local governments as well as nonprofit agencies, she spearheads the firm's national business development efforts as well as its sustainable finance consulting practice.

Nancy also manages BLX's West Coast post-issuance compliance practice and has extensive technical and regulatory knowledge. She personally oversees engagements for many state, city and county level clients.

She is a Registered Municipal Advisor, a Registered Observer of the International Capital Market Association's Green and Social Bond Principles, and an Approved Verifier with the Climate Bonds Initiative. She serves as the lead verifier for BLX's sustainable finance consulting engagements. Nancy is also a board advisor for the Great Lakes Impact Investment Platform.



Glenn Casterline
Managing Director

LOS ANGELES

T: (213) 612-2229

E: gcasterline@blxgroup.com

INDUSTRY EXPERIENCE

33 Years

TENURE AT BLX

33 Years

EDUCATION

California State University, Fullerton

BA in Business Administration -
Finance, 1991

FINRA LICENSES

Series 50 Municipal Advisor Rep
(2016 to Present)

Series 54 Municipal Advisor Principal
(2019 to Present)

Series 65 Investment Advisor Rep
(2000 to Feb. 2020)

MEMBERSHIPS

CCSA

ROLE: Regulatory Support, Technical Strategy, Report Review

SPECIFIC QUALIFICATIONS:

- ❖ 33 years of arbitrage regulatory consulting and financial advisory experience
- ❖ Lead on BLX's financial advisory engagements
- ❖ Experienced project manager for many of BLX's largest clients, including, the California Science Center, Colburn School of the Performing Arts, Segerstrom Center for the Arts (i.e., Orange County Performing Arts Center), Music Center (i.e., Performing Arts Center of Los Angeles County), and Commonwealth of the Northern Mariana Islands
- ❖ Volunteer on the City of Placentia's Citizens Fiscal Sustainability Task Force and Measure U Oversight Committee

BIO / RELEVANT WORK EXPERIENCE: Glenn Casterline is a Managing Director in BLX's Los Angeles office. With 33 years of public finance experience, Glenn applies his expertise to BLX's municipal advisory and arbitrage rebate compliance services.

He has served as financial advisor for a variety of municipal market participants. During his municipal finance advisory career, Glenn has reviewed, and reverse engineered just about every type of public finance structure (e.g., fixed rate, variable rate, variable rate swapped to fixed, fixed rate direct purchase, and variable rate direct purchase).



Vo Nguyen
Managing Director

LOS ANGELES

T: (213) 612-2152

E: vnguyen@blxgroup.com

INDUSTRY EXPERIENCE

18 Years

TENURE AT BLX

18 Years

EDUCATION

University of California, Riverside

BS in Business Administration, 1995

ROLE: Technical Analysis, Optimization, Verification, Report Production

SPECIFIC QUALIFICATIONS:

- ❖ 18 years of arbitrage regulatory consulting experience
- ❖ Lead consultant for BLX's most sophisticated clients such as the City and County of Denver, and Denver International Airport, Clark County (NV), Snohomish Public Utility District, and City of Pasadena
- ❖ Program Administrator for the CSCDA's SCIP
- ❖ Involved in the production and review of thousands of arbitrage rebate reports for many complex tax-exempt financings

BIO / RELEVANT WORK EXPERIENCE: Vo Nguyen is a Managing Director in BLX's Los Angeles office. He has 18 years of arbitrage rebate compliance and program administration experience and is primarily engaged in the review of arbitrage rebate analyses.

Vo has been involved in the production of thousands of arbitrage rebate reports for many complex tax-exempt financings. His responsibilities include performing arbitrage rebate analyses, advising and training junior consultants, and managing several client relationships.

Vo is also the Program Administrator for the Statewide Community Infrastructure Program ("SCIP"). SCIP is a program of the California Statewide Communities Development Authority, a joint powers authority sponsored by the League of California Cities and the California State Association of Counties.

ORRICK

Larry Sobel, Partner Orrick's Los Angeles Public Finance Department, with Roger Davis, Charles Cardall and John Wang, Partners in Orrick's San Francisco Public Finance Tax Group, will provide the legal analysis which is an integral part of our services.

Mr. Sobel, Mr. Davis, Mr. Cardall, and Mr. Wang are not the only practitioners like that available to other, smaller arbitrage consulting firms; rather, they represent the Orrick Tax Group, the most highly regarded public finance tax counsel group of its kind in the country.



Larry Sobel
Partner, Orrick

LOS ANGELES/HOUSTON

T: (213) 612-2421

T: (713) 658-6413

E: lsobel@orrick.com

INDUSTRY EXPERIENCE

39+ Years

TENURE AT Orrick

39 Years

EDUCATION

University of Pennsylvania Law School

J.D., cum laude, 1976

Drexel University

B.S., magna cum laude, 1973

MEMBERSHIP

American Bar Association, Section of
Taxation, Tax Exempt Finance Committee

National Association of Bond Lawyers,
Tax Exempt Finance Committee

State Bar of California

District of Columbia Bar

State Bar of New York

Pennsylvania Bar Association

State Bar of Texas

ROLE: Legal Analysis/Review

BIO / RELEVANT WORK EXPERIENCE: Larry Sobel, is a tax partner in the Los Angeles and Houston offices. Larry has more than 39 years of experience in federal tax laws and regulations relating to all types of tax-exempt financings, particularly public power, private activity bonds such as airport facilities, colleges and universities and hospitals and exempt organizations and advance refunding issues.

As both bond counsel and underwriter's counsel, he has been responsible for structuring and analyzing the tax aspects of many tax-exempt financings throughout the country.

Larry has extensive experience in handling IRS audits of bond transactions. He has represented issuers in dozens of audits all of which have ended favorably either with the IRS issuing a "no change" letter or by negotiating a reasonable settlement when needed. Larry also has handled a number of submissions under the IRS' Voluntary Closing Agreement Program (or VCAP). The two most recent VCAP submissions represented cases of first impression for the IRS; one involving an issue of qualified energy conservation bonds relating to determining the amount of those bonds eligible for the federal subsidy; the other involved the plan to convert a "new money" bond issue into an advance refunding (which did not meet all of the requirements for a tax-exempt advance refunding). Both cases ultimately were resolved on the original terms proposed to the IRS.

Larry has also been instrumental in developing new financing techniques and structures. He first devised the tax structure and analysis for, and has served as tax counsel on, Orrick's tax exempt tobacco revenue securitizations. He has developed the tax structure on numerous tax-exempt prepayments for natural gas for municipal utilities both within and outside of California.

PUBLICATIONS: "Treasury Departments New Output Facilities Regulations" was published in the Spring 1998 edition of The Municipal Finance Journal.



Roger Davis
Partner

SAN FRANCISCO

T: (415) 773-5758

E: rogerdavis@orrick.com

INDUSTRY EXPERIENCE

51+ Years

TENURE AT ORRICK

51 Years

EDUCATION

Harvard Law School

JD, magna cum laude

University of California,

Los Angeles Ph.D. & MA

Tulane University

BA

MEMBERSHIPS

State Bar of California

Municipal Legal Advisory Committee of The Securities

Industry and Financial Markets Association (SIFMA)

Bay Area Council, Transportation Committee

American College of Bond Counsel

(former member of the Board of Directors)

National Association of Bond Lawyers

Board Member, PACENation

Financial Advisory Committee of the City of Hillsborough, CA

ROLE: Legal Analysis/Review

BIO / RELEVANT WORK EXPERIENCE: Roger L. Davis's knowledge, experience and reputation in the area of public finance is second to none nationally. In November 2022, he was one of seven public finance professionals, and the only lawyer, inducted in the inaugural class of The Bond Buyer Hall of Fame. In his more than 40-year career practicing public finance, Roger had a lead role in more than 1000 transactions in roughly 20 states and territories – as bond counsel, underwriter's counsel, borrower's counsel, disclosure counsel, credit provider counsel, investor counsel and in other critical roles on virtually every type of bond issue.

Among the attributes that contributed to his Hall of Fame selection were:

Recognized and sought out for his ability to apply his unusually extensive and diverse experience to solve problems as they arise and develop new programs or financial structures, and for his expertise and judgment in securities laws and disclosure.

Dedicated to helping bring about projects and programs (whether sponsored by public entities, nonprofit corporations or for-profit enterprises) that provide a public benefit and make people's lives better.

Having led the development of the housing and healthcare practices at Orrick, his recent focus has been on governmental transactions, all manner of non-profit corporations, public private partnerships (P3), portfolio sales, securitizations, energy and water efficiency programs, student, senior and workforce housing, pool programs, new financial structures and programs and applications of Public Finance Authority (created in Wisconsin to finance any type of project or program in any state or territory).

Some of those new financial structures and programs have included pension obligation bonds, variable rate lease financing, and, more recently, joint powers authority ownership structure (turning private activity projects or projects not generally eligible for tax-exempt financing into tax-exempt governmental purpose bonds; for example, for middle income workforce housing), and energy and other infrastructure as a service (P3, simplifying procurement, off balance sheet).

Responsibility for legislation crucial to the scope and operation of California public finance, including California Health Facility Financing Authority, California School Finance Authority, changes to joint power authority law that helped propel California Statewide Communities Development Authority and California Municipal Finance Authority into two of the most prolific issuers in the country, local agency refunding law, authorizations for swaps, investment agreements and other derivative products, creation of security interests, streamlining validation actions, and in several other states including Hawaii and creation of Public Finance Authority in Wisconsin.

Chair of Orrick's Public finance department for several decades through 2020, during which he presided over the growth of the department from one office with 12 lawyers in San Francisco to 10 offices and over 100 lawyers and paralegals around the country, consistently ranked (for more than 2 decades now) as number one bond counsel and disclosure counsel, and within the top four underwriter counsel, for bonds issued by state and local governments throughout the United States. During this period, he also held a number of other leadership positions at Orrick, including several terms on its Executive Committee and on the Management Committee of Orrick's wholly owned subsidiary, BLX Group, LLC (providing the public finance community with a variety of non-legal services).

In addition to his selection by The Bond Buyer for its Public Finance Hall of Fame, Roger is ranked Band 1 by Chambers, and as Acritas Star Lawyer by Acritas, as Dealmaker of the Year (twice) by American Lawyer, as "best," "super," "most honored," "preeminent" or "lawyer of the year" by several other publications, and declared "the Bond King" in a cover article by California Lawyer.

Roger's publications include: Student Housing: Comparing Options for Tax Exempt Financing, Budget Relief and Deficit Financing by Local Governments In California, Nonprofit Corporations: Borrowing with Tax-Exempt Bonds, Interest Rate Swaps: Application to Tax-Exempt Financing, An Introduction to Pension Obligation Bonds and Other Post-Employment Benefits, Hotel Projects: Financing with Tax-Exempt Bonds, Tax-Exempt Bond Issuer's Responsibility for Tax Issues, SEC Enforcement Actions Related to Municipal Bonds.



Charles Cardall
Partner

SAN FRANCISCO

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E: ccardall@orrick.com

INDUSTRY EXPERIENCE

37+ Years

TENURE AT ORRICK

37 Years

EDUCATION

University of California,
Hastings College of the Law
J.D., 1988

University of California, Berkeley
B.A. in Economics

MEMBERSHIPS

State Bar of California
National Association of Bond Lawyers, Chair,
General Tax Matters Committee, 1999
American Bar Association Tax Section,
Tax-Exempt Finance Committee
Trustee of Bentley School (past President)

ROLE: Legal Analysis/Review

BIO / RELEVANT WORK EXPERIENCE: Charles Cardall is a tax partner in the San Francisco office and also a member of the Public Finance Practice Group. Chas was chair of Orrick's Tax Practice Group from 2015 to 2022. Chas primarily focuses his practice on municipal finance tax and nonprofit corporation tax matters.

He also has legal experience relating to both charter schools and the federal income tax classification of governmental and quasi-governmental entities. He has consulted on thousands of tax-exempt, build America and tax credit bond issues and has developed deep knowledge in almost every tax aspect of municipal finance. Private activity bonds for multifamily housing, solid waste, charter schools and independent schools are areas of particular focus in his practice, as are higher education, short-term and long-term working capital and the various forms of pooled financings. Chas also has advised numerous clients experiencing financial distress or bankruptcy in tax matters relating to their municipal bonds. Representative active clients include the State of California, the University of California, the Bay Area Toll Authority, and Charter School Capital.

As a legal and policy advocate, Chas represents both government and non-government clients in federal tax rulemaking matters and in IRS proceedings, including the various types of tax-exempt bond audits, voluntary compliance (VCAP) requests and requests for private letter rulings. He has successfully closed IRS examinations relating to solid waste, water and wastewater, working capital, healthcare, pooled, multifamily housing, and industrial development bond financings. He has obtained multiple private letter rulings and technical advice memoranda and has been integrally involved in numerous regulation and legislative projects. He has found that a close working relationship with IRS and Treasury Department personnel often is critical to obtaining good results for clients.

Chas is a regular panelist at industry and bar association seminars on public finance tax topics (most recently on the topics of working capital financing and IRS enforcement) and has lectured to the IRS at their field agent training program.



John Wang
Partner

SAN FRANCISCO

T: (415) 773-5993

E: jwang@orrick.com

INDUSTRY EXPERIENCE

22+ Years

TENURE AT ORRICK

22 Years

EDUCATION

Southwestern University School

of Law J.D., 1999

University of California

Los Angeles B.S., Mathematics, 1996

MEMBERSHIPS

State Bar of California

Founding Member,

Asian Americans in Public Finance, Inc.

Trustee, Chinese American International School

ROLE: Legal Analysis/Review

BIO / RELEVANT WORK EXPERIENCE: John is head of Orrick's global Finance business unit, co-chairs the firm's higher education focus group and is a member of the Public Finance Group.

John advises issuers, borrowers and underwriters on financings for higher education, solid waste disposal (including waste-to-energy facilities), and utilities (including water, wastewater and energy facilities). He actively advises clients in such financings on a national basis, including in California, Hawaii, Guam, Nevada and Texas.

John has been recognized as a leading lawyer by multiple organizations, including as a Chambers USA, Band 2 attorney for California Public Finance, and as one of California's top 50 development lawyers by The Daily Journal.

John's representative client relationships include serving as lead bond counsel to The Regents of the University of California, Government of Guam and all other Guam governmental agencies, Modesto Irrigation District, Transmission Agency of Northern California, M-S-R Public Power Agency, and bond counsel to the State of Hawaii and the City and County of Honolulu.

John has published: Renewable Energy Projects: Tax-Exempt and Other Tax-Advantaged Financing.

4. CLIENT REFERENCES

A list of recent projects and the names of up to five clients who may be contacted, including at least two for whom services were rendered during the preceding year; and

City and County of Honolulu	
Contact	Nancy Pyun, Department of Fiscal Services – Treasury Division
Address	530 S. King Street, Room 115, Honolulu, HI 96813
Phone / E-mail	(808) 768-3996 npyun@honolulu.gov
Service Provided by BLX	(GO and Wastewater Bonds) Arbitrage Compliance, Municipal Continuing, Disclosure Services, Policy & Bond Proceeds Expenditure and Private-Use Analyses, Refund Claim Services

State of Hawai'i	
Contact	Rod Becker, Administrator
Address	Dept. of Budget and Finance, 250 South Hotel St., Rm. 105, Honolulu, HI 96813
Phone / E-mail	(808) 586-1612 Roderick.K.Becker@hawaii.gov
Service Provided by BLX	Arbitrage Rebate Compliance and Structured Product Services

County of Kauai	
Contact	Reiko Matsuyama, Finance Director
Address	4444 Rice Street, Lihue, HI 96766
Phone / E-mail	(808) 241-4200 rmatsuyama@kauai.gov
Service Provided by BLX	Arbitrage Compliance, Municipal Continuing Disclosure, Post-Issuance Compliance Policy & Bond Proceeds Expenditure and Private-Use Analyses Services

University of Hawaii	
Contact	Amy Kunz, Controller
Address	1406 Lower Campus Rd, Room 41, Honolulu, HI 96822
Phone / E-mail	(808) 956-2144 amykunz@hawaii.edu
Service Provided by BLX	Arbitrage Compliance, Post-Issuance Compliance

Hawai'i Pacific University	
Contact	David Okabe, CFO and Treasurer
Address	55 Merchant Street, 27th Floor, Honolulu, HI 96813
Phone / E-mail	(808) 535-7202 david.okabe@hawaiipacifichealth.org
Service Provided by BLX	Arbitrage Compliance

Please note that having worked with several issuers within the State of Hawai'i, we are aware of the State and local governments' compliance requirements; BLX has therefore registered with the Hawai'i Compliance Express ("HCE"). Please see Appendix A for a copy of our current HCE - Certificate of Vendor Compliance.

5. ADDITIONAL INFORMATION

Any promotional or descriptive literature which the individual or firm desires to submit.

BLX's overarching objectives in any engagement are to provide certainty and attentive client services. We are distinguished in our ability to meet these goals via three core principles:

- (i) a broad ***perspective*** grounded in the regulatory domain and acquired by working in concert with Orrick's Public Finance Tax Group and developing industry standards on the proper application of arbitrage rebate regulations for nearly three decades. Boasting a team of 11 registered municipal advisors and a CPA on staff, BLX can address circumstances requiring methodological discretion and provide confidence that the ultimate approach has been vetted out from multiple angles and verified by the nation's leading tax attorneys.
- (ii) a rigorous ***procedural and technical approach*** ensuring that all analyses are accurate and providing a superior client experience. We address a broad range of municipal and client requirements by utilizing an arsenal of methodologies and by hosting educational forums. Our advanced online platforms and processes are designed in-house by a team of software engineers working in concert with our industry experts to minimize risk and to cost-efficiently prepare analyses while maintaining consultative flexibility. We adhere to strict IRS and client deadlines and provide complimentary access to a secure online portal.

We also offer onsite training and host post-issuance compliance webinars and seminars to deliver an enriching client experience.

- (iii) a responsive ***degreed and experienced staff*** dedicated to delivering analyses within 30 to 45 days of their computation date. As the country's largest provider of arbitrage rebate compliance services, BLX has 32 full-time professionals, strategically located in four offices nationwide. BLX personnel assigned to this engagement would be in our Los Angeles office and would be immediately available to ensure a smooth transition of any prior work to BLX. Their long tenure, coupled with the transparency of BLX's reports, will ensure the fluid sharing of information and provide continuity in the event of staff turnover at the County.

BLX is a value-added partner with the requisite credentials to manage the County's compliance requirements. We have encountered and successfully tackled a similar scope of work in literally thousands of arbitrage compliance engagements.

<u>BLX Strength</u>	<u>Relevance to the County's Program</u>
<i>Efficient data collection, data analysis, and reporting process due to our considerable experience</i>	<i>Less stress on your staff and reduced turnaround time</i>
<i>Unmatched performance record of preparing arbitrage computations</i>	<i>Broader exposure to differing computational nuances that could have applicability to your bond issues</i>
<i>Unparalleled technical, analytical, and legal services</i>	<i>Higher valued partner</i>
<i>Responsive and reliable customer service</i>	<i>Smooth and efficient relationship</i>
<i>Degreed and educated staff</i>	<i>Comfort and ease of mind for your team that you are working with highly trained professionals</i>
<i>In-house tax expertise provided by active Orrick Tax Partners</i>	<i>Easy access for legal or technical issues as they arise throughout the computational process</i>
<i>Consistent identification of the lowest legally permissible arbitrage rebate liability</i>	<i>Not having to worry about overpaying and confidence BLX will contemplate alternatives prior to your remittance</i>
<i>Specialized support in the event of any IRS review or inquiry</i>	<i>Familiarity with the IRS' questions and have dealt with many Information Document Requests</i>
<i>Value-added pricing</i>	<i>We bring so much more to the table, yet our fees are the same or only incrementally higher than most providers</i>
<i>Training available to the County staff</i>	<i>Your staff can stay up to date on any regulatory requirements and revisions as they occur</i>

BACKGROUND

BLX Group is registered with the SEC and MSRB as a municipal advisor. Since our inception 36 years ago, we have grown to become the largest provider of arbitrage rebate consulting services in the country. Throughout our history, our core business and reason for being has always been arbitrage rebate consulting.

We have successfully:

- Prepared over **102,300** arbitrage reports
- Engaged over **30,000** bond issues
- Serviced over **4,850** distinct tax-exempt issuers and obligors

Our ability to consistently engage and maintain clients through geographic reach, depth of resources, and breadth of experience are all strong indicators that BLX has succeeded at providing the highest quality technical and client services available in the industry. Our familiarity with a variety of debt profiles and service needs has been accumulated through this

rich and diverse experience. The proficiency we have acquired through our enduring tenure, along with the technical knowledge of our seasoned staff, make BLX distinctly qualified to fulfill the County's scope of work cost-effectively without sacrificing quality.

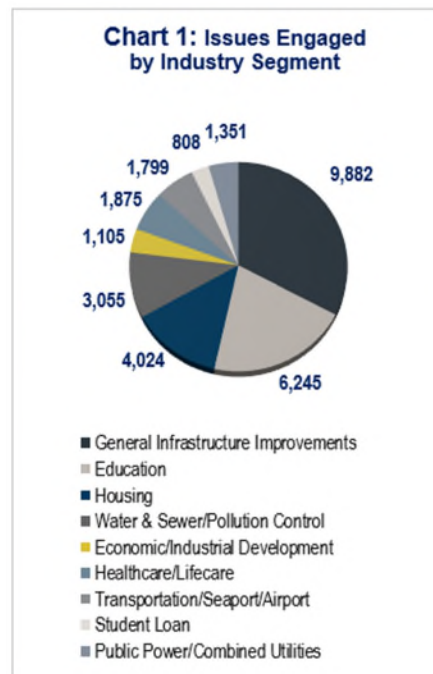
EXPERIENCE WITH COMPLEX TAX-EXEMPT STRUCTURES

We maintain long-standing engagements with many of the nation's largest and most sophisticated issuers. Our technical, financial and regulatory expertise is evidenced by the fact that we are often asked to assist investment banking, financial advisory, consulting, and law firms with complex structurings and problem-solving, especially in the realm of correctly applying federal tax law and arbitrage requirements. This level of technical proficiency far surpasses what is required for many arbitrage analyses, but enables BLX to handle complex analyses and to provide issuers with a high degree of comfort that all analyses are accurate.

BLX's arbitrage rebate practice represents the full spectrum of issue types and technical complexities. As illustrated in Table 1, we have worked on thousands of analyses involving commingled funds, transferred proceeds, and variable rate debt (with or without hedges). These are some of the most challenging analyses; they require a thorough understanding of the legal, economic, and technical aspects of arbitrage computations. Furthermore, and as shown in Chart 1, our practice is seasoned and fortified by the breadth of public and private industry segments we have serviced; we have clients in sectors ranging from education, healthcare, and general infrastructure, to housing, student loan, and public power. This rich and diverse experience enables us to immediately recognize debt and investment features, spend less time figuring out the issue's structure, and spend more time optimizing the analysis of any given bond issue.

In addition, our procedural approach, our process of checks and balances, and our quick access to Orrick's expert legal resources give us a distinct advantage not only in recognizing and appropriately addressing structures with which we have prior experience, but also in isolating the single best approach for structures for which no precedent exists. Our expertise allows us to accommodate even the most unusual and complex circumstances, and to apply beneficial analytical alternatives when available.

Table 1: Experience Highlights		
	# of Issues	Par (\$trillion)
Overall	30,144	\$2.646
Fixed	25,669	\$2.194
Variable	4,475	\$0.452
Refunding Issues	11,871	\$1.405
Commingled Funds	12,071	\$1.246



CAPABILITIES

BLX is a go-to strategic partner for your post-issuance compliance requirements.

- (i) ***We staff 32 full time professionals***, strategically located nationwide. We are headquartered in Los Angeles and have three offices in Dallas, New York, and Phoenix. BLX is thereby uniquely positioned to meet your scheduled requirements and respond quickly to requests for additional support.
- (ii) ***Our large-scale production is seamless***. In the last ten years, BLX has prepared about 3,200 arbitrage rebate reports annually. We have in place the resources to address the County's current and future needs with no interruption to our procedures or strain on our consultants.
- (iii) ***Our rigorous system of built-in checks and balances*** ensures compliance with laws governing arbitrage rebate and also ensures that the County receives the best arbitrage consulting services available.
- (iv) ***We continually invest in technology*** to enhance our clients' experience, minimize labor production costs passed on to them, and supplement our multi-tier review process with software-based quality controls: (a) BLX Digital, our team of 4 full-time engineers, partners with our 28 consultants to deliver accurate and efficiently produced reports. They have designed several proprietary platforms to assist our clients with bond and compliance related activities. Such platforms advocate transparency and include: BLXBid (secure investment bidding), BLXSwap (swap monitoring and GASB53/72 valuations), and internal platforms related to trust account data processing and extensive private use analyses. (b) We advocate transparency and provide complimentary access to the BLX Portal, a secure service that allows our clients to access detailed information about their rebate engagements, view rebate reports, review scheduled computations, and upload bond documents and investment records.
- (v) ***Since we served as the County's most recent arbitrage consultant***, we have the information for the various bond issues in our office, the matters are already set up in our database, and we are uniquely aware of the various complexities surrounding your various bond issues.

Given our capabilities, BLX will thereby be able to dedicate resources to the County immediately upon engagement. Within a few days of being awarded the engagement, the proposed relationship manager will reach out to address any questions and identify items needed to perform upcoming computations. You can be assured that your assigned liaison will be attentive to your needs and will maintain a complete understanding of your requirements; we strive to establish strong partnerships and empower our clients to reap the benefits derived from our broad perspective on post-issuance compliance matters.

LEGAL EXPERTISE - UNPARALLELED TAX RESOURCES

BLX works closely with tax and bond attorneys at Orrick, our parent company, to ensure the legal aspects of your analyses are appropriately addressed. Orrick has been ranked as the No. 1 Bond Counsel firm in the U.S. by Thomson Reuters for most of the last two decades. Our collective intellectual property is attuned to your support and compliance needs, and our services include the necessary transparency to document your tax position:

- **Global Perspective:** Orrick handles roughly 500 bond counsel transactions per year, which represents more than 12% of the U.S. market share. BLX's body of knowledge is shaped by routine interactions with Orrick's innovative public finance and non-profit attorneys. This exposure enables us to gain a broad perspective on regulatory trends and best practices for your post-issuance compliance program. We understand tax law applications and make impactful decisions based upon the synergy gained by working with more than 100 diverse Orrick public finance practitioners (including 39 partners).
- **Legal/ Professional Opinion:** Arbitrage analyses are complex enough, and the results delivered from competing firms vary enough, that a professional opinion matters. BLX delivers each analysis with an Orrick legal opinion attesting that it conforms to the appropriate Treasury Regulations. The Orrick legal opinion carries with it the credentials of an institution that has provided quality legal services to municipal issuers and borrowers for over 100 years. The Orrick opinion, supported by its

underlying knowledge base, has far more weight under scrutiny than that of a sole practitioner or certified public accountant.

- **Legal Developments:** The effects of important changes to Treasury Regulations and proposed legislation impacting tax-exempt finance are debated and openly discussed in e-mail threads that include the entire Orrick public finance group, of which BLX is a part. Therefore, BLX is often aware of regulations being considered and the positions bond and tax counsels are likely to take on prospective changes. Furthermore, Sandee Stallings is an associate member of the National Association of Bond Lawyers and receives notices of all regulatory updates as they occur. BLX has a strong commitment to tracking legal developments at the federal level to ensure our practice areas are up to date on all municipal compliance requirements
- **IRS Audits:** During IRS audits, we believe the County should be relieved that we are not an independent firm or have bond counsel on "retainer" but rather feel confident that BLX's depth of financial expertise and Orrick's legal expertise provides issuers with the highest level of comfort available. We are confident that BLX's direct experience with the IRS and its audit agents on arbitrage-related matters greatly surpasses that of any other firm.
- **Regulatory Expertise:** Under Orrick's careful guidance, BLX consultants have accumulated extensive experience interfacing with IRS agents and are familiar with their regulatory interpretations. Our collaborative team is fully versed in Sections 103 and 148 of the Internal Revenue Code and related Treasury Regulations - the relevant sections of the Code pertaining to arbitrage rebate and yield restriction compliance. Carefully sorting through the different rules set forth in prior versions of the Tax Regulations and making the proper permitted beneficial elections can reduce rebate liabilities by hundreds of thousands of dollars. A legal review is important to reach an optimal result that is fully compliant with the Treasury Regulations in a variety of areas.
- **Tax Law Changes:** We see tax law changes as potential opportunities to provide additional benefit to our clients. Although most changes in tax law are applicable prospectively, many are retroactively available by election. Our approach is to first carefully analyze the changes in tax law and then develop a transaction profile for issues that are or may be affected from an arbitrage or yield restriction perspective. For example, when the 1993 Regulations were introduced we developed a list of the pros and cons of electing into the 1993 Regulations. By utilizing this check list, we were able to efficiently identify candidates that might benefit from electing into the 1993 Regulations and notified our clients accordingly.

BLX readily recognizes opportunities and routinely takes advantage of alternative methodologies when it can be ascertained that present value savings will be achieved. The table below summarizes some of the methodologies BLX has applied, and the approximate cumulative savings achieved as a result.

<i>Methodology</i>	<i>Savings</i>
<i>Allocation and Valuation Analyses</i>	<i>\$16 million</i>
<i>Variable Rate Optimizations</i>	<i>\$9 million</i>
<i>Various Elections</i>	<i>\$6 million</i>
<i>Rebate Refund Requests Successfully Retrieved</i>	<i>\$74.6 million</i>

EXPERIENCE DIFFERENTIATORS

The County's desired scope of services aligns with BLX's corporate philosophy and procedures. Our aptitude at handling the unique characteristics of your debt profile comes from a strong foundation of successful engagements similar to the County. The following differentiators are unique to BLX.

- (i) Our clients benefit greatly from BLX being a ***wholly owned subsidiary of Orrick with unlimited access to tax expertise***. Being a subsidiary of a law firm, BLX holds itself accountable to the highest standards of the Treasury Department's Circular No. 230 which governs tax practitioners. Orrick tax partners are on the front lines closing bond deals, providing legal guidance, receiving updated educational information, working with the IRS on various tax matters, and attending and presenting at seminars across the nation. BLX receives regulatory updates from the Orrick tax partners and routinely consults with them on technical complexities. We have access to these additional resources at no charge to the County.
- (ii) ***Senior BLX consultants average more than 26 years of experience*** in arbitrage compliance and public finance. Their tenure enabled them to become experts and thoroughly master the post-issuance compliance domain surrounding debt offerings. This expertise allows us to accommodate even the most unusual and complex circumstances and to apply beneficial analytical alternatives when available. BLX consultants are recruited from strong educational and occupational backgrounds and undergo rigorous financial, technical, and regulatory training by nationally recognized experts. Furthermore, our team of registered municipal advisors and CPA undergo continuing professional education to maintain their licenses.
- (iii) ***BLX is a national authority and leader on post-issuance compliance education.***
 - We host annual post-issuance compliance workshops, and conduct onsite training for numerous clients throughout the year. We also host webinars to keep clients apprised of regulatory developments and best practices on a variety of topics, ranging from continuing disclosure to private use and post-issuance compliance.
 - Our staff includes an associate member of the National Association of Bond Lawyers who disseminates timely regulatory updates.
 - Our education advocacy is further demonstrated by the [*BLX Institute*](#) – an online resource covering the fundamentals of post-issuance compliance and intended to support the municipal and non-profit sectors. The BLX Institute provides curated educational content on topics ranging from private business use to continuing disclosure and arbitrage rebate compliance.
 - BLX recently started a new series titled [*OnCompliance*](#) of short informational videos designed to provide issuers and industry professionals with “nuggets” of information related to current tax and regulatory topics.
- (iv) Under Orrick's careful guidance, BLX consultants have accumulated ***extensive experience interfacing with IRS agents*** and are familiar with their operating procedures. The IRS and other federal agencies have greatly increased their scrutiny of all tax aspects of state and local government bonds. In addition to responding to random audits, BLX consultants have processed and retrieved over \$74.6 million in refund claims for their clients. Some of these claims materialized due to changes in the interest rate environment while others stem from BLX consultants optimizing the analysis of a prior consultant who failed to identify the lowest legally permissible rebate liability.

In light of the IRS's increased enforcement efforts, we strongly believe that BLX's depth of financial expertise, combined with our pulse on regulatory matters and direct exposure with the IRS, provides the highest level of comfort available.

APPROACH: TECHNICAL RESOURCES AND PROFICIENCY

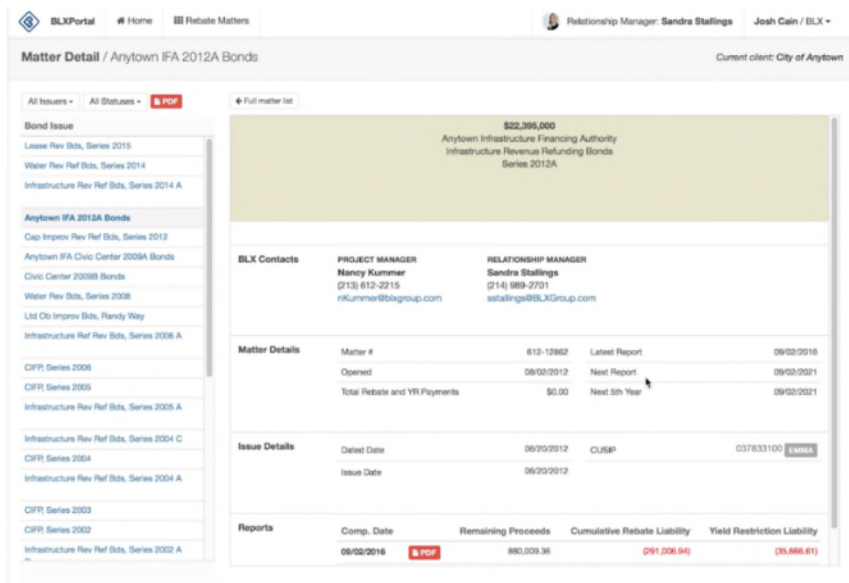
BLX's strength and longevity are derived from our extensive technical resources, proficiency, and the oversight provided by Orrick. As you will notice from our firm organizational chart included as Appendix B, BLX has a President and 10 Managing Directors, each bringing tremendous intellectual resources and talent to our firm. A firm does not amass and retain that amount of quantitative talent without an environment of challenging work, diligence and mutual respect. This work environment differentiates us and provides peace of mind and certainty for our clients in the following ways:

- (i) **Efficient Operations:** BLX deploys its resources such that each is dedicated to the component of a given rebate calculation that makes that resource most efficient. Our professionals spend less time on information collection and data entry, and more time analyzing and applying regulatory knowledge to uncover the approach that produces the best result for their clients. Accordingly, our professionals gain more exposure and acquire expertise you can rely on in a wide variety of scenarios.

<i>Allocation of BLX Resources</i>	<i>Document & Statement Compilation</i>	<i>Data Entry</i>	<i>Financial Modeling</i>	<i>Technical Modeling</i>	<i>Regulatory Review</i>
<i>Orrick Tax and Bond Partners</i>					•
<i>BLX Assoc. & Managing Directors</i>			•	•	•
<i>BLX Senior & Managing Consultant</i>		•	•	•	
<i>BLX Consultant</i>	•	•	•		
<i>BLX Support Staff</i>	•				

- (ii) **Attentive Service:** We prioritize the perspectives and sensitivities of each client. Having provided arbitrage consulting services to tax-exempt issuers in every U.S. State and Territory, we are poised to provide you with recommendations, guidance, and support that is right for your organization. Our team is committed to addressing your service needs every step of the way.

- (iii) **Advanced Technology:** We use proprietary spreadsheet-based templates rather than commercial software because of the flexibility they afford our clients. A pre-designed system is limited to built-in methodologies. We recognize that the best answer is often produced from an approach that is rarely used. Our flexible technological platform is in place to give you the certainty that contingencies can be vetted out. We have invested substantially in technology to enhance our clients' experience: (a) Our [internal tracking software](#) notifies the members of the proposed team well in advance of scheduled computation dates, allowing us to maintain a smooth workflow and react promptly to unforeseen circumstances. Consequently, we have the capacity to consistently exceed the County's expectations with regard to timely and accurate reporting. (b) We advocate transparency and provide [complimentary access to the BLXPortal](#), a secure web-based service that allows our clients to access detailed information about their rebate engagements, view rebate reports, review scheduled computations, and upload bond documents and investment records. A quick view of some of the detailed bond issue information available on the BLXPortal is shown to the right:



The screenshot displays the BLXPortal interface. On the left is a sidebar with a list of bond issues. The main content area shows details for 'Anytown IFA 2012A Bonds'. At the top, it indicates a bond issue of \$22,395,000. Below this, there are sections for 'BLX Contacts' (Project Manager: Nancy Kummer, Relationship Manager: Sandra Stallings), 'Matter Details' (Matter #: 612-12862, Latest Report: 09/02/2016, Opened: 08/02/2012, Next Report: 09/02/2021, Total Rebate and YR Payments: \$0.00, Next 5th Year: 09/02/2021), 'Issue Details' (Dated Date: 08/20/2012, CUSIP: 037633100), and 'Reports' (Comp. Date: 09/02/2016, Remaining Proceeds: \$80,009.36, Cumulative Rebate Liability: (\$91,006.94), Yield Restriction Liability: (\$5,666.61)).

SCOPE OF SERVICES

To ensure the certainty of your results, our procedures entail a multiplicity of reviews by increasingly experienced consultants, each of whom approaches the analysis with a distinct and fresh viewpoint. The entire process is then validated with a legal review by Orrick's expert tax lawyers. The procedures put in place to meet your scope of services, and deliver findings you can count on, are outlined below.

For each of our arbitrage rebate engagements, we follow the work plan outlined below:

1. upon engagement of a new transaction, our initial efforts will be dedicated to compiling and formatting any required records and documentation not currently in our possession;
2. we subsequently establish a new record in our file center, and enter the subject transaction on our tickler/tracking database system;
3. the Project Manager will then allocate the transaction to a consultant assigned to the project based on issue type, complexity, and prior experience;
4. the consultant will next review the relevant materials to initially determine (1) applicable law, (2) existence and location of Gross Proceeds, and (3) yield calculation considerations;
5. the consultant then develops a recommended approach, taking into consideration the availability of election and exception relief, and the effect of transferred proceeds and/or commingled funds on the calculation;
6. the consultant's preliminary findings and recommended approach are presented to one or more of a Senior or Managing Consultant, Associate or Managing Director, and/or Tax Partner and approved or modified as appropriate;
7. the consultant reviews each investment purchase, receipt, sale, and disposition to compile the net cash flow of relevant non-purpose receipts and payments. This analysis determines the amount of arbitrage liability that has been incurred as a result of such investments;
8. the consultant's draft report undergoes a peer review. Consultants discuss the application of alternative allocation, valuation, or regulatory provisions to see if the initial result can be improved;
9. the results and analysis are considered for further improvement and approval by a Managing Director and an Orrick Tax Partner;
10. a final report, accompanied by an Orrick legal opinion and a summary of computational assumptions is prepared. The legal opinion affirms that the analysis was performed in accordance with all applicable laws, rulings, and regulations. The summary of computational assumptions includes a summary of relevant dates, elections, and exceptions, and an outline of the methodology employed; and
11. any necessary IRS forms, for example IRS Form 8038-T, are prepared and forwarded to the County for signature.
12. At any time during the engagement, BLX will be available to consult with County as it pertains to their outstanding bond issues, changes in the regulations, prospective bond issues or any other matter related to County's bond program, free of charge;
13. As part of the proposed engagement, BLX will be in constant communication with County to ensure that all aspects of the engagement are being performed in accordance with County's requirements. Annually, BLX will deliver to County a summary of all issues engaged and the arbitrage positions of the bonds engaged. We will also keep County's staff apprised of all changes in the regulatory and enforcement environment, and to make sure that all relevant employees of County understand the underlying compliance requirements.

BLX maintains a database monitoring system whereby all relevant information about a particular bond issue, including notifications of upcoming rebate calculations and rebate payment dates, is easily recalled. This enables us to provide timely reporting to all BLX clients. For many smaller or less technically capable firms, an engagement with the County might represent a significant strain on firm resources. Not so with BLX; we have the additional capacity to consistently exceed the County's expectations with regard to timely and accurate reporting.

Additionally, We advocate transparency and provide complimentary access to the BLXPortal, a secure web-based service that allows our clients to access detailed information about their rebate engagements, view rebate reports, review scheduled computations, and upload bond documents and investment records.

MILESTONES, TIMETABLE AND PROCESSES

We demonstrate in the graphic below the four phases implemented with each arbitrage rebate reporting processes related to both annual reports as well as five year installment computations.



CONSULTATION

We have been providing arbitrage consulting services to tax-exempt issuers since 1989, and over the years, we have had relationships with municipalities in the U.S. and Territory. We are available at any time, at no additional charge, to provide consultations, guidance, and any other requested support in areas where our experience and expertise are of value. We appreciate the perspectives and sensitivities of our clients, and prioritize them over current market forces – our clients always take precedence.

APPLYING METHODOLOGICAL DISCRETION

To deliver optimum results, BLX carefully evaluates beneficial elections and alternate allocation and valuation methods at both the bond and program levels. We integrate the results of individual analyses into an overarching and consistently applied strategy to not only ensure the certainty of our findings but to support an exemplary post-issuance program. The following examples illustrate how utilizing methodological discretion benefits our clients.

Commingled Funds: Commingled funds arise when proceeds subject to rebate are commingled with other types of monies (e.g., proceeds eligible for an exception, proceeds of another tax-exempt issue, or non-bond proceeds). An “allocation analysis” is undertaken to allocate investments and expenditures to each type of monies. Various consistently applied approaches are allowed under the regulations. BLX carefully weighs in the parameters of a given bond issue and program to identify which permissible methodology yields the optimal economic result.

How? *BLX has performed multiple allocation analyses for a transportation authority in the state of New York that have resulted in cumulative rebate payment savings of over \$3.5 million.*

Transferred Proceeds: Transferred proceeds arise in connection with refunding and refunded bonds and can significantly complicate the process of identifying gross proceeds of a particular bond issue. Transferred proceeds can involve multiple bond issues originally subject to different versions of the regulations. Our legal and technical expertise enable us to flesh out the intricacies and differences between successive versions of the regulations and to pinpoint when to make beneficial elections.

How? *We have performed transferred proceeds analyses for virtually every issuer type and tax-exempt debt instrument. BLX prepared rebate analyses with transferred proceeds associated with multiple refunding bonds, as well as proceeds commingled in a large parity reserve fund on behalf of a large international airport. These turn-key allocation and optimization analyses enabled the issuer to recover rebate payments totaling over \$3.2 million from the IRS.*

Market vs. Present Value of Securities: The regulations allow several methods of valuing securities held as of a computation date, transferred proceeds date, or other applicable allocation date. Because rebate analyses are based on non-purpose payments and receipts through computation and transferred

proceeds dates, securities held as of such dates must be valued to represent a receipt or disposition of principal and accrued interest. The regulations allow such valuations to be at either market value, present/accreted value, or plain par - valued at 100 if purchased at a "de minimis" discount or premium. The selection can have a tremendous impact on the bottom line rebate liability. BLX evaluates the merits of these three valuation methods on a case-by-case basis.

How? *BLX performed an allocation and valuation analysis for a large electric authority in Georgia that resulted in approximately \$2.5 million in arbitrage rebate payment savings. In addition, we analyzed the investment holdings of a large California school district and performed an allocation analysis which eliminated a \$695,000 rebate liability.*

Variable Rate Bonds, Qualified Guarantees, and Derivatives: Variable rate bond yield calculations are more complex than fixed rate analyses; instead of determining the yield over the life of the issue using the expected debt service, the yield is determined using actual payments for a specific time period. The flexibility to use different combinations of yield periods in determining bond yields allows us to optimize your rebate liability by comparing the bond yield and the investment yield for "slices" of the computation period. In addition, qualified guarantees and derivatives (such as interest rate swaps and caps) add another layer of complexity. We are experienced in the review of the associated closing documents to validate the inclusion of qualified guarantee fees and qualified hedge transactions. While we boast an active derivative advisory practice and are well versed in the proper amortization of upfront qualified guarantee and hedge termination fees, BLX professionals work closely with Orrick tax attorneys to ensure that the treatment of each letter of credit and derivative is based on solid legal reasoning and analysis.

How? *BLX has saved our clients millions of dollars as a result of variable rate bond yield optimization. The bond yield is an important benchmark, and we recognize that it is in your best interest for us to capture all eligible outlays.*

Universal Cap Provisions: The Universal Cap provisions state that, starting (at the latest) with the end of the first bond year that follows the second anniversary, the balance of proceeds allocated to a bond issue for arbitrage rebate purposes must not exceed the value of the outstanding bonds. A legally accurate and economically optimal application of the Universal Cap provisions is one of the most important areas requiring methodological discretion in order to achieve the most favorable result.

How? *BLX obtained a \$1.2 million arbitrage rebate refund from the IRS for a large city in Washington. The bond issues in question utilized a common reserve structure, and a prior rebate provider had missed a requirement to apply the universal cap provision which had a beneficial impact for the city. BLX consultants worked closely with IRS representatives, undertook the complex and lengthy re-allocation analysis, arrived at a final result \$1.2 million lower than amounts previously paid, and subsequently obtained the refunds for the issuer.*

APPENDIX A

HCE-CERTIFICATE OF VENDOR COMPLIANCE



STATE OF HAWAII
STATE PROCUREMENT OFFICE

CERTIFICATE OF VENDOR COMPLIANCE

This document presents the compliance status of the vendor identified below on the issue date with respect to certificates required from the Hawaii Department of Taxation (DOTAX), the Internal Revenue Service, the Hawaii Department of Labor and Industrial Relations (DLIR), and the Hawaii Department of Commerce and Consumer Affairs (DCCA).

Vendor Name: **BLX GROUP LLC**

Issue Date: **05/15/2025**

Status: **Compliant**

Hawaii Tax#: 20104064-01

New Hawaii Tax#:

FEIN/SSN#: XX-XXX4065

UI#: No record

DCCA FILE#: 61052

Status of Compliance for this Vendor on issue date:

Form	Department(s)	Status
A-6	Hawaii Department of Taxation	Compliant
8821	Internal Revenue Service	Compliant
COGS	Hawaii Department of Commerce & Consumer Affairs	Compliant
LIR27	Hawaii Department of Labor & Industrial Relations	Compliant

Status Legend:

Status	Description
Exempt	The entity is exempt from this requirement
Compliant	The entity is compliant with this requirement or the entity is in agreement with agency and actively working towards compliance
Pending	A status determination has not yet been made
Submitted	The entity has applied for the certificate but it is awaiting approval
Not Compliant	The entity is not in compliance with the requirement and should contact the issuing agency for more information

A large, light gray watermark of the BLX logo is centered on the page, behind the title text.

APPENDIX B ORGANIZATIONAL CHART

APPENDIX B – ORGANIZATIONAL CHART

