

Interest Rate Derivatives Services

Porter, White & Company (“PW&Co”) provides derivative services to businesses, state and local governments, and not-for-profit institutions. As a Swap Adviser, PW&Co helps clients understand the impact of proposed or existing swaps, swaptions, and other derivatives. The services offered by PW&Co as Swap Adviser include:

- *Derivatives Policy.* For issuers of tax-exempt bonds, having a derivatives policy in place before a transaction is executed of critical importance. The Government Finance Officers Association, the National Association of Municipal Analysts, and all major rating agencies recommend that issuers proposing to use derivatives establish policies to govern their use. PW&Co helps prepare institutional policies for considering, evaluating and executing derivative transactions.
- *Analysis.* When an organization is contemplating a derivative transaction, understanding costs, payments, source of payments, as well as possible future liabilities and risks are important. Further, derivative transactions often have tax, legal, and accounting implications. PW&Co understands multiple aspects of interest rate derivatives and prepares comprehensive reports that include quantification of risks so that an informed decision can be made about whether to enter into a swap or a swaption.
- *Structuring.* Tax-exempt issuers as well as private businesses often use derivatives to hedge their interest rate risk when issuing bonds or borrowing from a bank. Interest rate derivatives are often used to transact synthetic advance refundings when outstanding bonds cannot be advance refunded for tax reasons. PW&Co evaluates costs and benefits among alternative hedging strategies and structures appropriate derivatives for synthetic advance refundings.
- *Execution.* Many organizations want to obtain pricing that comes with competitive bidding, but also want the flexibility to reward dealers for bringing innovative proposals. PW&Co provides full pricing transparency whether a deal is bid or negotiated and we have our interests firmly aligned with our clients when negotiating with dealers. Further, PW&Co can swiftly arrange for competitive bidding through a network of dealers.

- *Opinions as to Value and Fairness.* Many derivative transactions have been executed without proper valuations at the time of transaction. PW&Co performs historical valuations, subject to data availability, and opines as to value and fairness of transactions.
- *Documentation.* While most derivative transactions are executed using industry standard ISDA[®] documentation, certain types of transactions can sometimes be more efficiently executed using simplified documentation. PW&Co assists issuers in negotiating documentation and in quantifying the economic advantages and disadvantages of document clauses.
- *Ongoing Monitoring.* Organizations have a variety of reasons to receive ongoing valuations of their derivatives portfolios, whether for accounting purposes, rating agencies, collateral postings, or current negotiations. PW&Co prepares periodic valuation reports for all these purposes and provides reporting on derivative positions and portfolios as frequently as daily if needed.
- *Negotiation of Termination Payments.* Tax-exempt organizations and corporations sometimes receive advice that a derivative transaction should be terminated. As a result, there will often be a cash payment or rollover of a liability from one party to the other as a result of the termination. PW&Co negotiates on behalf of its clients and provides opinions as to fairness of terminations payments and can arrange for competitive bidding on a termination.

Our objective when acting as a Swap Adviser is to ensure that our client sees the many financial advantages of derivatives, complies with relevant statutes and recommendations, and also understands that there are sometimes significant risks beyond those commonly understood. The fundamental risk-reward relationship in financial markets exists also in derivatives markets.

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