

Overview of SEC Municipal Advisor Rule

Overview of SEC Municipal Advisor Rule And IRMA Exemption for the Bond Underwriters

Introduction

On July 1, 2014, the Securities and Exchange Commission's ("SEC") Municipal Advisor Rule (the "Rule") became effective. The Rule was developed as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act to provide additional transparency regarding the roles and responsibilities of the municipal market participants involved with the issuance of municipal bonds. In particular, the Rule specifies the parameters in which "municipal advice" may be provided by market participants and it imposed a "fiduciary duty" on those that provide "municipal advice". While not all-inclusive, examples of "advice" include the following:

- ✓ Guidance regarding the structuring, timing, terms and other similar matters concerning a particular bond sale of the District;
- ✓ Guidance on District's bond rating strategy or bond election campaign;
- ✓ Analyses regarding debt management strategies or financial alternatives for outstanding or new bonds; and
- ✓ Budget planning with respect to bond issuance.

SEC Municipal Advisor Rule – IRMA Exemption for Potential Bond Underwriters

Pursuant to the Municipal Securities Rulemaking Board's ("MSRB") Rule G-23, municipal securities dealers are prohibited from serving a governmental entity as both a financial advisor and a bond underwriter. Additionally, MSRB Rule G-17 requires bond underwriters to disclose they are not serving in the role of a municipal advisor and they do not have a "fiduciary duty" to the District. Based upon these MSRB regulations in conjunction with the new SEC Municipal Advisor Rule, the correspondence a potential bond underwriter may provide to the District is limited to activities that do not constitute "municipal advice". In the event a bond underwriter does provide the District with "municipal advice" (without an authorized exemption), the underwriter will be deemed to be a municipal advisor - Making it unlawful for such firm to serve as an underwriter for a future District bond sale.

It is important to note that the SEC has stated that it does not seek to curtail the delivery of important advice and information to a governmental entity. However, to receive this advice and information an entity must be represented by and will rely upon an independent registered municipal advisor ("IRMA") - Who is subject to a fiduciary duty and can assist in the evaluation of "municipal advice" provided by bond underwriters and identify potential conflicts of interest. In this regard, the Rule allows the District to grant an "IRMA Exemption" to a potential bond underwriter(s) to permit "municipal advice" to be given without prohibiting such firm from serving as a future bond underwriter.

It is important to emphasize, as the District's financial advisor and as required by Municipal Advisor Rule, BOK Financial Securities, Inc. is registered as an "Independent Registered Municipal Advisor" with the SEC. As such, the financial advisory relationship between the District and BOK Financial Securities, Inc. remains unaffected and BOK Financial Securities, Inc. continues to have the responsibility to provide "municipal advice" to the District.

Actions Required to Grant IRMA Exemption

In the event the District desires to receive bond related correspondence and other "advice" from potential bond underwriters, an IRMA Exemption may be granted to all or selected bond underwriters by posting an executed form of the sample IRMA Exemption herein on its website.

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[Date]

[SCHOOL DISTRICT LETTERHEAD]

To Whom It May Concern:

Bastrop Independent School District (the “District”) retains BOK Financial Securities, Inc. to serve as an independent registered municipal advisor (the “Financial Advisor”). In this regard, we will rely on our Financial Advisor to provide advice regarding the issuance of municipal securities or use of municipal financial products. “Rely on” means we intend to seek and consider the advice, analysis and perspective of our Financial Advisor prior to acting on the sale of municipal securities. This also encompasses advice and guidance relating to bond related correspondence or financing proposals provided by bond underwriters that have been granted the Independent Registered Municipal Advisor Exemption (the “IRMA Exemption”) by the District. We may also rely on representations, if any, made within any bond related correspondence or financing ideas provided by potential bond underwriters.

Potential bond underwriters may rely on this certification for purposes of qualifying for the IRMA Exemption afforded by the Securities and Exchange Commission (“SEC”) Municipal Advisor Rule 15Ba1-1(d)(3)(vi) until a replacement certification has been posted on the same page on our internet site [www.bisdtx.org] or correspondence is sent to the same address to which we have previously sent this letter or the certification is withdrawn. To confirm that this certification is still valid, please contact the undersigned. It is important to note, this certification solely relates to the issuance of municipal securities and shall not be relied upon as an exemption for the investment of bonds proceeds or escrow investments as applicable pursuant to Section 15B of the SEC Municipal Advisor Rule.

Proposals and other correspondence relating to the issuance of municipal securities by bond underwriters granted the IRMA Exemption shall be provided solely to Sandra Callahan, Chief Financial Officer and our Financial Advisor listed below. Please note, aside from regulatory mandated correspondence, a potential bond underwriter should not send proposals or other correspondence relating to the sale of municipal securities by the District solely to our Financial Advisor, unless specifically directed. In addition, failure to comply with this request may result in the termination of a bond underwriter’s IRMA Exemption, if previously granted. Proposals should also be provided in a searchable PDF format.

Potential bond underwriters relying upon this IRMA Exemption acknowledge it has no recourse against the District or its Financial Advisor relating to any action or inaction with respect to evaluating, implementing or responding to proposals or other correspondence relating to the sale of municipal securities that may be provided pursuant to the IRMA Exemption.

If you desire to learn the identity of the professionals at our Financial Advisor who participate in advising us regarding debt management and the issuance of municipal securities, including participation in the management, direction, supervision or performance of related activities, please contact our Financial Advisor at the contact information provided below.

Bastrop Independent School District

Sandra Callahan
Chief Financial Officer

Financial Advisor

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Securities, insurance and advisory services offered through BOK Financial Securities, Inc., member FINRA/SIPC and a subsidiary of BOK Financial Corporation. Services may be offered under our trade name, BOK Financial Advisors.

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