

# Executive Summary

Board of Governors Meeting, May 18, 2022

## Bond and Disclosure Counsel - 21-0021

### History

Citizens is authorized by Section 627.351(6)(q), Section 125.013, and Section 166.101, Florida Statutes, to secure bonds for specific purposes including ensuring that it has sufficient funds on hand to pay catastrophe claims. These financial transactions may include pre-event or post-event bond issuances, capital market transactions, commercial banking transactions, international transactions, and other structured financial transactions (Financial Transactions).

Bond counsel and disclosure counsel will work cooperatively with Citizens' Financing Team, which includes Citizens' staff, financial advisor, underwriting team, and banking syndicate. The Financing Team will help to design and execute financial strategies and structures that are optimal for Citizens and that are in compliance with applicable federal and state securities and tax laws and regulations.

Bond Counsel Services may include the following:

- Assisting with the preparation of necessary securities offering documents related to any outstanding and future Financial Transactions
- Legal services relating to the planning and development of any Financial Transaction, and any resulting tax implications to the use of proceeds
- Drafting all customary and necessary documents, as well as handling or participating in any necessary legal proceedings in connection with the authorization, sale, issuance and delivery of new bonds, or the execution of new financing agreements or instruments
- Providing tax advice, preparing, and furnishing tax opinions (as needed) on Citizens' outstanding and/or future Financial Transactions, including the tax-exemption of interest for federal and state income tax purposes
- Preparing and furnishing any standard legal opinions for Citizens' bond issuances and/or other Financial Transactions, setting forth a description of the bonds and an opinion as to the validity of the interest from exemption from federal and state income taxes, and other matters customarily covered by such approving legal opinion
- Reviewing and monitoring of state and federal laws, cases and proposed legislation relating to financing and disclosure requirements which could affect Citizens' outstanding and/or future Financial Transactions
- Other legal services for Citizens' outstanding, future, and prior Financial Transactions as may be needed and requested by Citizens

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Disclosure Counsel Services may include the following:

- Assisting with the preparation of necessary securities offering documents related to any outstanding and future Financial Transactions
- Drafting, preparing, and filing all necessary continuing disclosure documents relating to future, outstanding or past Financial Transactions
- Furnishing a supplemental disclosure counsel opinion regarding the fairness and accuracy of certain information in the Preliminary Official Statement and Official Statement regarding the description of the bonds, security for the bonds and the tax exemption of the bonds and interest thereon
- Providing legal services relating to securities laws and/or applicable exemptions therefrom and/or disclosure of information required in connection with any proposed bond issuances and/or other financing program(s) of Citizens' future, outstanding, and/or past Financial Transactions
- Drafting or reviewing necessary documents and handling or participating in legal or administrative proceedings in connection with compliance with applicable disclosure requirements relating to Citizens' future, outstanding, or past Financial Transactions

Note: If a firm is selected to serve as Bond Counsel on a bond issuance, the same firm cannot also serve as Disclosure Counsel and vice versa.

Fees for Bond Counsel services are contingent upon a bond transaction closing successfully and determined by the actual amount of the debt issued. For example, for a \$1 billion transaction, the fees would be \$250,000, \$194,400, \$230,000, and \$225,000 for Nabors, Greenberg, BMO, and Squire, respectively. The following table tiered fee cap formulas are utilized to compute Bond Counsel fees for transactions of potential amounts up to \$4 billion:

Bond Counsel Fee (Per Offering)		Nabors	Greenberg	BMO	Squire
Bond Tier		Per \$1000	Per \$1000	Per \$1000	Per \$1000
\$ 0 -	\$500,000,000	\$0.30000	\$0.21060	\$0.25000	\$0.25000
\$500,000,000	\$1,000,000,000	\$0.20000	\$0.17820	\$0.21000	\$0.20000
\$1,000,000,000	\$1,500,000,000	-	\$0.09950	\$0.17000	\$0.15000
\$1,500,000,000	\$2,000,000,000	-	\$0.10530	\$0.17000	\$0.10000
\$2,000,000,000	\$2,500,000,000	-	\$0.05270	\$0.16000	\$0.10000
\$2,500,000,000	\$3,000,000,000	-	\$0.05270	\$0.16000	-
\$3,000,000,000	\$4,000,000,000	-	\$0.02640	\$0.15000	-

\* Nabors and Squire fees capped at \$250,000 and \$400,000 respectively

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Fees for Disclosure Counsel services are contingent upon a bond transaction closing successfully and determined by the actual amount of debt issued. For example, for a \$1 billion transaction, the fees would be \$200,000, \$155,500, \$172,500, and \$172,500 for Nabors, Greenberg, BMO, and Squire, respectively. The following table tiered fee cap formulas are utilized to compute Disclosure Counsel fees for transactions of potential amounts up to \$4 billion:

Disclosure Counsel Fee (Per Offering)		Nabors	Greenberg	BMO	Squire
Bond Tier		Per \$1000	Per \$1000	Per \$1000	Per \$1000
\$ 0 -	\$500,000,000	\$0.25000	\$0.16850	\$0.18750	\$0.18750
\$500,000,000	\$1,000,000,000	\$0.15000	\$0.14260	\$0.15750	\$0.15750
\$1,000,000,000	\$1,500,000,000	-	\$0.07960	\$0.12750	\$0.12750
\$1,500,000,000	\$2,000,000,000	-	\$0.08240	\$0.12000	\$0.10000
\$2,000,000,000	\$2,500,000,000	-	\$0.04210	\$0.12000	\$0.10000
\$2,500,000,000	\$3,000,000,000	-	\$0.04210	\$0.12000	-
\$3,000,000,000	\$4,000,000,000	-	\$0.02110	\$0.12000	-

\* Nabors and Squire fees capped at \$200,000 and \$336,250 respectively

Additionally, fees for Financial Transactions not determined by the Bond Tier will be billed at the rates listed in the table below:

Rates for Ancillary Services	Nabors	Greenberg	BMO	Squire
Blended Rate	Per Hour	Per Hour	Per Hour	Per Hour
Partner	\$300.00	\$400.00	\$350.00	\$500.00
Associate	\$200.00	\$325.00	\$250.00	\$275.00
<b>Ancillary Services Discount</b> (If Firm is paid bond/disclosure counsel fees in excess of \$200,000 in any one year / during the term of the contract)				
	Nabors	Greenberg	BMO	Squire
% discount off the Partner rates quoted in Section 3 after the first 40 hours.	0.00%	The first 25 hours will not be billed.	20.00%	10.00%
% discount off the Associate rates quoted in Section 3 after the first 40 hours .	0.00%	The first 25 hours will not be billed.	20.00%	10.00%

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## Recommendation

Staff proposes that the Board of Governors:

- a) Authorize Citizens to contract with Nabors, Giblin & Nickerson, P.A., Greenberg Traurig, P.A., Squire Patton Boggs (US) LLP, and Bryant Miller Oliver P.A. for an initial term of five (5) years, and for one (1) two (2) year renewal option for the fee structure as set forth within the Action Items; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.