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**From:** Barnes, Randall <RBarnes@coj.net>  
**Sent:** Friday, January 26, 2018 8:36 AM  
**To:** David Moore; watkinsm@gtlaw.com; Greive, Patrick; Jeremy Niedfeldt; Tyler Calderone  
**Subject:** RE: Please Review

Cool, thanks!

**Randall E. Barnes**, CTP

Sr. Debt Manager  
City of Jacksonville  
[rbarnes@coj.net](mailto:rbarnes@coj.net)  
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**From:** David Moore [<mailto:moored@pfm.com>]  
**Sent:** Friday, January 26, 2018 7:19 AM  
**To:** Barnes, Randall; watkinsm@gtlaw.com; Greive, Patrick; Jeremy Niedfeldt; Tyler Calderone  
**Subject:** RE: Please Review

Mike can address the tax law aspects, but to answer your question regarding the vehicle, yes, they create an escrow to defease the old bonds. The process is just like the old advance refunding escrow structurings.

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**From:** Barnes, Randall [<mailto:RBarnes@coj.net>]  
**Sent:** Thursday, January 25, 2018 4:12 PM  
**To:** David Moore <[moored@pfm.com](mailto:moored@pfm.com)>; [watkinsm@gtlaw.com](mailto:watkinsm@gtlaw.com); Greive, Patrick <[PGreive@coj.net](mailto:PGreive@coj.net)>; Jeremy Niedfeldt <[niedfeldtj@pfm.com](mailto:niedfeldtj@pfm.com)>; Tyler Calderone <[calderonet@pfm.com](mailto:calderonet@pfm.com)>  
**Subject:** RE: Please Review

Seems like a pretty conservative view, in my opinion. But either way, it may be good that they have added this flexibility into their new bond issues since the advance refunding capability has gone away – the questions is, as always, “at what price?”

What happens to the tax-exempt debt that’s not currently callable in a privatization (and does not have these extraordinary redemption provisions)? Is a separate trust set up to defease the bonds until they become callable?

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**From:** David Moore [<mailto:moored@pfm.com>]  
**Sent:** Thursday, January 25, 2018 3:55 PM  
**To:** [watkinsm@gtlaw.com](mailto:watkinsm@gtlaw.com); Greive, Patrick; Barnes, Randall; Jeremy Niedfeldt; Tyler Calderone  
**Subject:** RE: Please Review

So if I am reading this correctly, there is a bit of a grey area around “reasonably expects”. I assume that this is why bond counsel wanted the extraordinary redemption?

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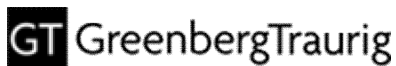
**From:** [watkinsm@gtlaw.com](mailto:watkinsm@gtlaw.com) [mailto:[watkinsm@gtlaw.com](mailto:watkinsm@gtlaw.com)]  
**Sent:** Thursday, January 25, 2018 11:29 AM  
**To:** [PGreive@coj.net](mailto:PGreive@coj.net); [RBarnes@coj.net](mailto:RBarnes@coj.net); David Moore <[moored@pfm.com](mailto:moored@pfm.com)>; Jeremy Niedfeldt <[niedfeldtj@pfm.com](mailto:niedfeldtj@pfm.com)>; Tyler Calderone <[calderonet@pfm.com](mailto:calderonet@pfm.com)>  
**Subject:** FW: Please Review

Good morning, gentlemen.

Please see below for Vanessa’s response to the JEA privatization issue we discussed last week with respect to extraordinary redemption. I also spoke to her about taxation after bonds are defeased, but she indicated that there would be little likelihood of taxation after defeasance so long as bonds are redeemed at the earliest allowable redemption date. Thanks.

**Michael L. Watkins**  
Shareholder

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**From:** Lowry, Vanessa Albert (Shld-Phil-TX)  
**Sent:** Tuesday, January 16, 2018 5:34 PM  
**To:** Watkins, Michael L. (Shld-Orl-BD)  
**Subject:** RE: Please Review

Hi Mike:

Generally, if an issuer does not reasonably intend and expect to use and own the financed facility for the term of the bonds, it may have a problem using the remedial actions allow for a “change in use.” If the privatization is something that is contemplated and could now be reasonably expected to occur before the general optional redemption is available, then there is a special provision in treasury Regulation 1.141-2 that allows the issuer to issue bonds nevertheless:

**Treas. Reg. § 1.141-2(d)(2)(ii) Special Rule For Issues With Mandatory Redemption Provisions. —**

**An action that is reasonably expected, as of the issue date, to occur after the issue date and to cause either the private business tests or the private loan financing test to be met may be disregarded for purposes of those tests if--**

**Treas. Reg. § 1.141-2(d)(2)(ii)(A) —**

**The issuer reasonably expects, as of the issue date, that the financed property will be used for a governmental purpose for a substantial period before the action;**

**Treas. Reg. § 1.141-2(d)(2)(ii)(B) —**

**The issuer is required to redeem all nonqualifying bonds (regardless of the amount of disposition proceeds actually received) within 6 months of the date of the action;**

**Treas. Reg. § 1.141-2(d)(2)(ii)(C) —**

**The issuer does not enter into any arrangement with a nongovernmental person, as of the issue date, with respect to that specific action; and**

**Treas. Reg. § 1.141-2(d)(2)(ii)(D) —**

The mandatory redemption of bonds meets all of the conditions for remedial action under Section 1.141-12(a).

The highlighted redemption requirement is likely what they are addressing with this addition.

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**From:** Watkins, Michael L. (Shld-Orl-BD)  
**Sent:** Tuesday, January 16, 2018 3:14 PM  
**To:** Lowry, Vanessa Albert (Shld-Phil-TX)  
**Subject:** FW: Please Review

Hi, Vanessa.

Any idea as to the rationale for JEA needing to allow extraordinary mandatory redemption or special optional redemption to their Bonds in case they are privatized? If bonds are defeased, could they somehow become taxable if the JEA is subsequently privatized? Thanks!

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**From:** Barnes, Randall [<mailto:RBarnes@coj.net>]  
**Sent:** Friday, January 12, 2018 12:57 PM  
**To:** Watkins, Michael L. (Shld-Orl-BD); Jeremy Niedfeldt; [calderonet@pfm.com](mailto:calderonet@pfm.com)  
**Cc:** Greive, Patrick  
**Subject:** Please Review

Can you guys take a look at this? Sometime early next week, let's set up a time to discuss on the phone.

Thanks,

Randall

**Randall E. Barnes**, CTP  
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