

THE AMERICAN RECOVERY & REINVESTMENT ACT (STIMULUS) BOND PROGRAM OVERVIEW



Presented by:

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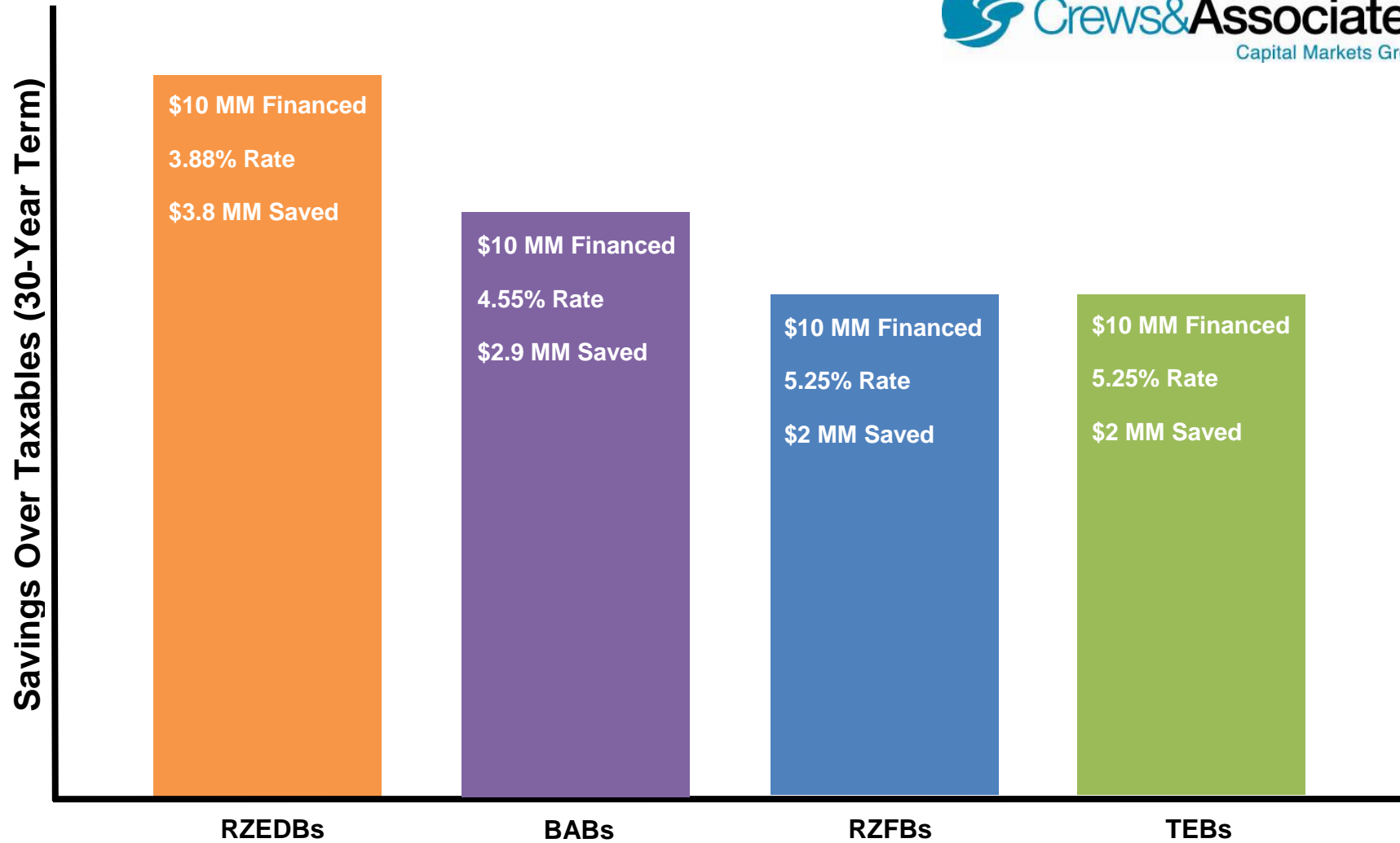
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Traditional Tax-Exempt Bonds (TEBs)	Build America Bonds (BABs)	Recovery Zone Economic Development Bonds (RZEDBs)	Recovery Zone Facility Bonds (RZFBs)
<p>Public issuers secure lower cost financing or refinancing through federal and state tax-exempt project financing, which lowers cost of funds by 150-200 basis points (1.5-2%) compared to taxable borrowing.</p> <p>Utilizes features like fixed interest rates, longer debt service terms, flexible payoff and repayment terms, capitalized interest, deferral of principal, investment of bond proceeds, and joint financing with government sources.</p> <p>Additional cost saving tools include bank qualified issuance, credit enhancement, and if feasible, lower debt coverage ratios.</p> <p>Eligible projects include acquisition, construction and equipping of government buildings and infrastructure, water and wastewater systems, school projects, healthcare facilities, industrial development, and housing.</p> <p>Eligible borrowers include states, municipalities, public authorities and districts, and not-for-profit issuers.</p> <p>Federal Stimulus Bill (ARRA) temporarily changes rules of the game until 12-31-10 to raise bank qualified issuance limit to \$30MM from \$10MM, and a 2008 housing bill expands authority for FHLBank members to issue letters of credit for borrowers to credit enhance non-housing projects (most any tax-exempt activity).</p> <p>Bank qualified issuance can lower cost of funds 40-75 basis points, letters of credit can lower rates 100-200 basis points (1-2%), and bond insurance is competitive, limited, and difficult to estimate at this time.</p> <p>Davis Bacon not applicable.</p>	<p>Public issuers who otherwise qualify for TEBs can issue taxable BABs for themselves or for another public borrower and elect to either grant bondholders a 35% tax credit or select the borrower to receive the 35% direct-pay subsidy (new money only), which is reimbursed from Treasury based on bondholder's or issuer's IRS filing of Form 8038-CP.</p> <p>Recent BAB transactions indicate direct subsidy reimbursement is preferred, where issuer submits reimbursement form to IRS directing Treasury to reimburse borrower no earlier than 90 days and no later than 45 days before each interest payment date.</p> <p>BABs have no cap on volume or size, are used for public infrastructure, and must be issued by 12-31-10.</p> <p>IRS/Treasury begin subsidy payments July 1, 2009.</p> <p>The direct-pay subsidy can lower the cost of funds by expanding the market of investors for municipal securities.</p> <p>BABs can be combined with other bond programs such as issuance of TEBs for short end savings and BABs on the long end where savings can be as much as 30-50 basis points over TEBs.</p> <p>Issuer can use BAB proceeds for capital expenditures, reserve funds, cost of issuance up to 2% of bond proceeds, investment earnings on bond proceeds, but not working capital. Davis Bacon not applicable.</p> <p>In the current market, underwriter's cost benefit analysis show BABs pricing as much as 1% lower than TEB rates with present value savings in excess of 10% over TEB debt for longer term maturities.</p>	<p>If a RZEDB allocation is received, public issuers who otherwise qualify for TEBs can issue taxable RZEDBs themselves or for another public borrower and elect to either grant bondholders a 45% tax credit or select the borrower to receive the 45% direct-pay subsidy, which is reimbursed from Treasury based on bondholder's or issuer's IRS filing of Form 8038-CP.</p> <p>RZEDB cap is \$10BB nationally, is allocated to the states, then sub-allocated to each county or large municipality (+100,000 population) in proportion to the local level's respective 2008 job losses (U.S. Department of Labor); however, all states receive minimum allocations of .9% of the national allocation.</p> <p>If a county or large municipality receives an allocation, it must first designate a recovery zone (simple resolution by governing body), then determine how to allocate its amount of RZEDB issuing authority, issue the bonds for themselves, or issue bonds and lend the proceeds to another public borrower.</p> <p>RZEDBs must be issued by 12-31-10 and pooling of local allocations is an option. A 2% limit on issuance costs.</p> <p>Eligible projects include capital expenditures to acquire, construct and equip public facilities, public infrastructure, and job training or education programs within a designated recovery zone.</p> <p>Qualified Tax Increment Finance Bonds (land, infrastructure, and rehabilitation costs) may be issued as RZEDBs.</p> <p>Federal Davis-Bacon prevailing wage rules apply to projects financed with RZEDBs.</p> <p>County or large municipality works with underwriter and bond counsel to file Form 8038-CP for interest reimbursement, satisfy state law requirements, and prepare documentation.</p>	<p>If a RZFB allocation is received, tax-exempt RZFBs, which are private activity bonds, can be issued for privately used or privately owned facilities in a designated recovery zone.</p> <p>RZFBs have a national volume cap of \$15BB, expire 12-31-10, and are allocated to states and sub-allocated to counties and large municipalities with the same allocation method as RZEDBs (see RZEDBs).</p> <p>County or large municipality issues tax-exempt private activity bonds up to the allocation awarded and lends the proceeds to the borrower.</p> <p>The facility must be constructed, renovated, or acquired by purchase AFTER the designation of the recovery zone by the county or large municipality. A 2% limit on issuance costs.</p> <p>Most any business activity qualifies (no private use restrictions or rule against acquisition of existing property) except that residential property, golf courses, gambling facilities, and liquor stores are ineligible.</p> <p>Office buildings, research parks, shopping centers, warehouses, resorts and hotels, manufacturing plants, and other commercial facilities are eligible.</p> <p>Tax increment finance bonds may be issued as RZFBs if applicable requirements are met and an allocation is received.</p> <p>RZFBs expand the definition of eligible uses to include intangible property like patents, formulas, designs (essentially research and development facilities and software companies).</p> <p>Davis Bacon not applicable and pooling of local allocations is an option.</p>

Tax-Exempt Bonds (TEBs)	Build America Bonds (BABs)	Recovery Zone Economic Development Bonds (RZEDBs)	Recovery Zone Facility Bonds (RZFBs)
<p>Hypothetical 1: Assumes issuer is a governmental entity eligible for tax-exempt financing.</p> <p>\$10MM Financed 30 Year Term 7% Taxable Rate vs. 5.25% Tax-Exempt Rate Result: 175 Basis Points in Savings (1.75%) over taxable rates (7% - 5.25%)</p> <p>Gross Savings Over Taxable Debt: \$4,092,287</p> <p>Adjusted Present Value Savings: \$2,056,455, or a savings of 20.56% of the total amount borrowed.</p> <p>Note-Issuing bank qualified bonds or credit enhanced bonds can lower interest rates and the overall cost of funds even lower. A cost benefit analysis can determine if credit support achieves enough savings given the credit enhancement fees that are required.</p>	<p>Hypothetical 2: Assumes issuer is a governmental entity eligible for tax-exempt financing.</p> <p>\$10MM Financed 30 Year Term 7% Taxable Rate (Less 35% Fed Subsidy) vs. 4.55% Subsidized Rate Paid by Borrower Result: 70 Basis Points in Savings (.70%) over tax-exempt rates (5.25% - 4.55%)</p> <p>Gross Savings Over Tax-Exempt Debt: \$1,558,252</p> <p>Adjusted Present Value Savings: \$806,734, or a savings of 8.07% of the total par amount borrowed.</p> <p>Important Note-By issuing BABs for all or a portion of the financing, issuers can achieve the combined total savings of tax-exempt debt plus the subsidized BAB savings, which would be \$2,056,455 + \$806,734 = \$2,863,189. This is a savings over taxable debt of 28.63% of the total amount borrowed.</p>	<p>Hypothetical 3: Assumes issuer is a governmental entity eligible for tax-exempt financing and receives a Recovery Zone allocation for its own use or for use by a designated recipient.</p> <p>\$10MM Financed 30 Year Term 7% Taxable Rate (Less 45% Fed Subsidy) vs. 3.88% Subsidized Rate Paid by Borrower Result: 137 Basis Points in Savings (1.37%) over tax-exempt rates (5.25% - 3.88%)</p> <p>Gross Savings Over Tax-Exempt Debt: \$3,051,212</p> <p>Adjusted Present Value Savings: \$1,752,873, or a savings of 17.53% of the total amount borrowed.</p> <p>Important Note-By issuing RZEDBs for all or a portion of the financing, issuer can achieve the combined total savings of tax-exempt debt together with the subsidized RZEDB savings, which would be \$2,056,455 + \$1,752,873 = \$3,809,328. This is a savings over taxable debt of 38.09% of the total amount borrowed.</p>	<p>Hypothetical 4: Assumes issuer is a governmental entity and receives a Recovery Zone allocation to be designated for use by a private entity that can now borrow using tax-exempt financing.</p> <p>\$10MM Financed 30 Year Term 7% Taxable Rate (Corporate Rate) vs. 5.25% Tax-Exempt Rate Result: 175 Basis Points in Savings (1.75%) over taxable rates (7% - 5.25%)</p> <p>Gross Savings Over Taxable Debt: \$4,092,287</p> <p>Adjusted Present Value Savings: \$2,056,455, or a savings of 20.56% of the total amount borrowed.</p> <p>Important Note-RZFBs allow private entities to borrow on a tax-exempt basis up to the allocation awarded by the governmental entity.</p>



*Hypothetical Example

HYPOTHETICAL MIXED-USE PROJECT RATE COMPARISONS (RATES ARE APPROXIMATE)

Recovery Zone Economic Development Bonds (45% Reimbursement)	Without Reimbursement	With Reimbursement
Public Infrastructure (Utilities, Roads, etc.)	7%	3.85-4%
Qualified TIF Activities (Land, Infrastructure, Rehabilitation Costs)	11%	6%

Recovery Zone Facility Bonds (Tax-Exempt Private Activity Bond Issuance)	Without Reimbursement	With Subsidy
Commercial Activities (Shopping, Hotel, Office, etc.)	7%	5.5%

Build America Bonds (35% Reimbursement)	Without Reimbursement	With Reimbursement
Public Infrastructure (Utilities, Roads, etc.)	7%	4.5%
Qualified TIF Activities (Land, Infrastructure, Rehabilitation Costs)	11%	7%

Return for Credit Payments to Issuers of Qualified Bonds

Part I Information on Entity That Is To Receive Payment of Credit Check box if Amended Return

1 Name of entity that is to receive payment of the credit	2 Employer identification number (EIN)
3 Number and street (or P.O. box no. if mail is not delivered to street address)	Room/suite
4 City, town, or post office, state, and ZIP code	
5 Name and title of officer or legal representative whom the IRS may call for more information	6 Telephone number of officer or legal representative ()

Part II Reporting Authority

7 Issuer's name (if same as line 1, enter "SAME" and skip lines 8, 9, 11, 15, and 16)	8 EIN
9 Number and street (or P.O. box no. if mail is not delivered to street address)	Room/suite
10 Report number (For IRS Use Only) 8	
11 City, town, or post office, state, and ZIP code	12 Date of issue
13 Name of issue	14 CUSIP number
15 Name and title of officer or legal representative whom the IRS may call for more information	16 Telephone number of officer or legal representative ()
17a Type of issue <input type="checkbox"/>	Issue price <input type="checkbox"/> 17b

Part III Payment of Credit

18 Interest payment date to which this payment of credit relates (MMDDYYYY)	
19 Interest payable to bondholders on the interest payment date	19
20 Amount of credit payment to be received as of the interest payment date (complete line 20a OR line 20b only):	
a Build America bonds. Multiply line 19 by 35% (0.35)	20a
b Recovery zone economic development bonds. Multiply line 19 by 45% (0.45)	20b
21 Adjustment to previous credit payments (complete line 21a OR line 21b only):	
a Net increase to previous payments (attach explanation)	21a
b Net decrease to previous payments (attach explanation)	21b ()
22 Amount of credit payment to be received. Combine line 20a or line 20b with line 21a or line 21b	22
23 Is this the final interest payment date?	Yes <input type="checkbox"/> No <input type="checkbox"/>
24 If the entity identified in Part I is not the issuer, check this box to indicate that the entity is authorized to receive payment and related return information on behalf of the issuer <input type="checkbox"/>	

Sign Here Under penalties of perjury, I declare that I have examined this return, and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of issuer's authorized representative	Date	Type or print name and title
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Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no. ()	

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name	2 Issuer's employer identification number		
3 Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	4 Report number	3
5 City, town, or post office, state, and ZIP code	6 Date of issue		
7 Name of issue	8 CUSIP number		
9 Name and title of officer or legal representative whom the IRS may call for more information	10 Telephone number of officer or legal representative ()		

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe ►	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	\$	\$	years	%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22
23 Issue price of entire issue (enter amount from line 21, column (b))	23
24 Proceeds used for bond issuance costs (including underwriters' discount)	24
25 Proceeds used for credit enhancement	25
26 Proceeds allocated to reasonably required reserve or replacement fund	26
27 Proceeds used to currently refund prior issues	27
28 Proceeds used to advance refund prior issues	28
29 Total (add lines 24 through 28)	29
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ► _____ years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ► _____ years

33 Enter the last date on which the refunded bonds will be called ► _____

34 Enter the date(s) the refunded bonds were issued ► _____

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) 35

36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions) 36a

b Enter the final maturity date of the guaranteed investment contract ► _____

37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units 37a

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box and enter the name of the issuer ► _____ and the date of the issue ► _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box

40 If the issuer has identified a hedge, check box

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here

► _____ Date _____ Type or print name and title _____

Signature of issuer's authorized representative

